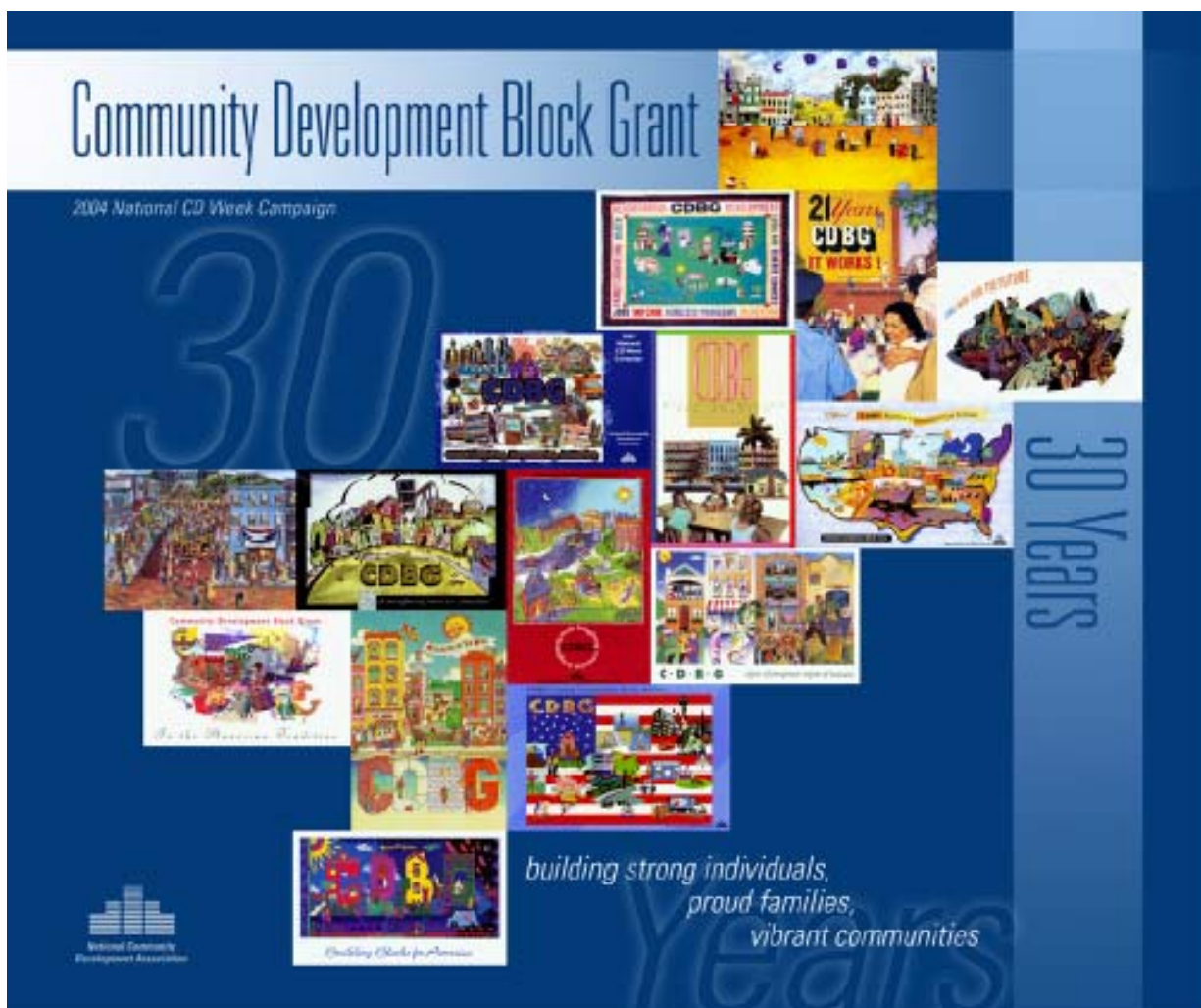


# COUNTY OF SAN BERNARDINO

## COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

# SUBRECIPIENT MANUAL



DEPARTMENT OF ECONOMIC AND COMMUNITY  
DEVELOPMENT

June 2004



# **COUNTY OF SAN BERNARDINO**

## **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM**

### **SUBRECIPIENT MANUAL**

**JUNE 2004**

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# **CDBG SUBRECIPIENT MANUAL**

Welcome to participation in San Bernardino County's Community Development Block Grant (CDBG) program. We appreciate the important community services provided by CDBG funded subrecipients. CDBG funding assistance is a key ingredient in the starting up of new services or the expansion of existing programs. The Department of Economic and Community Development (ECD) is committed to helping you maximize the use of CDBG funds and to ensure compliance with CDBG program regulations and related federal statutes.

As a subrecipient in the County of San Bernardino's CDBG program, you have agreed to not only provide the services indicated in your contract, but to comply with the CDBG program requirements and responsibilities as established by the U.S. Department of Housing and Urban Development (HUD), as well as those established by the County of San Bernardino. This manual has been developed to help facilitate your understanding of these requirements.

The procedures spelled out in this manual are critical to a subrecipient's ability to comply with CDBG program requirements. For example, a non-profit agency may be providing highly effective public services to its low-income clientele; however, without proper record keeping, effective financial management and complete documentation of allowable expenses and activities, the use of CDBG funds cannot be justified. This manual is designed to show you how to conduct CDBG funded public services that are eligible under the federal rules and are consistent with the County Contract.

The financial, accounting, internal control, and reporting principles presented in this manual are basic, and are not intended to replace acceptable existing procedures being used by your agency. Instead, these fundamental requirements represent minimum procedures and controls that must be embodied within your accounting, internal control, and financial reporting system as required by Federal regulations and County policies.

Your contract with the County will contain a comprehensive statement of the goals, objectives, and specific services to be provided by your agency. Also, the contract will specify the reports and documentation required for verification of contract compliance. This manual is meant to assist your agency in complying with the provisions of the Contract, but should not be used in lieu of reading the articles of the Contract. Should there be any disagreement between your Contract and this manual, the provisions contained within the Contract will always take precedence. Also, unless specified otherwise, ECD shall have the authority to represent the County regarding the terms and conditions of your contract.



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# **CHAPTER 1**

## **INTRODUCTION**

# **INTRODUCTION**

## **Community Development Block Grant Program**

In 1974 the federal government enacted the Federal Housing and Community Development Act. Title I of this Act combined several previous categorical programs into a single program named the "Community Development Block Grant" (CDBG) program. Congress designed the CDBG program to enhance and maintain viable urban communities. The CDBG program accomplishes these goals by providing decent housing, suitable living environments and expanded economic opportunities, principally for low- and moderate-income persons. The U.S. Department of Housing and Urban Development (HUD), administers the CDBG program through grants to local and state jurisdictions.

The County of San Bernardino participates in the CDBG program as an "Qualified Urban County" and is the "recipient" of annual CDBG funding. Agencies that receive subgrants of CDBG funds are defined by HUD as "subrecipients". At its discretion, the County of San Bernardino will use these federal funds to assist eligible projects to meet local community development needs. Under CDBG regulations, assisted projects must serve or be located in the unincorporated portions of the County or its cooperating cities. The cities included under the County's CDBG program are Adelanto, Barstow, Big Bear Lake, Colton, Grand Terrace, Highland, Loma Linda, Montclair, Needles, Redlands, Twentynine Palms, Yucaipa and Town of Yucca Valley.

Although the HUD designated "metropolitan cities" of Apple Valley, Chino, Chino Hills, Fontana, Hesperia, Ontario, Rancho Cucamonga, Rialto, San Bernardino, Upland and Victorville are located in San Bernardino County, they receive their own CDBG entitlement grants and conduct CDBG programs within their corporate boundaries. Please contact the Community Development Departments of these cities if you need further information about their CDBG programs.

## **Eligible Activities**

Federal regulations limit the kinds of activities that the County may carry out with its CDBG funds. The regulations governing the CDBG program provide detailed eligibility requirements. In general, a project may be undertaken when three requirements are met. First, the type of the project must be included within the list of eligible activities in the CDBG regulations. The eligible activity categories include:

- < Acquisition of real property for an eligible use
- < Acquisition, construction, and rehabilitation of public facilities
- < Demolition and clearance of deteriorated buildings

- < Community services for low- and moderate-income households (must be a new or expanded service to be provided on behalf of San Bernardino County.)
- < Removal of barriers that restrict the mobility of disabled persons
- < Rehabilitation of housing for low- and moderate-income households

The CDBG regulations also list activities that are explicitly ineligible to receive assistance. In general, religious facilities and new housing projects are ineligible. Additionally, maintenance and operation expenses and equipment purchases are ineligible except as part of an eligible public service. Ineligible projects also include construction of buildings used for the general conduct of government.

A CDBG project must meet at least one of three national objectives. The project must principally serve low- and moderate-income persons, eliminate slums and blight, or address a recent and urgent health and safety need. And finally, the project must be consistent with the community development objectives and strategies outlined in the County's Consolidated Plan.

## **Federal Regulations**

The key, Federal Regulations, which form the basic administrative requirements of the CDBG program are summarized in this section to provide a framework for the standards referenced throughout this manual. The regulations have been developed by HUD in response to carry out the federal statutes that established the CDBG program. The regulations address the CDBG program itself, and other federal laws or policies relevant to the CDBG program (e.g. National Environmental Policy Act, Americans with Disabilities Act, Davis-Bacon Act, etc.). The acronym "CFR" stands for Code of Federal Regulations.

## **CDBG Program Management Regulations**

The basic program regulations governing management and financial systems for the CDBG program are promulgated by the federal government in 24 CFR Part 570, Subparts J and K. They are applicable both to grantees (i.e., the County) and to public or private sector subrecipients:

- a. Subpart J (24 CFR 570.500 - 570.513) covers the general responsibilities for grant administration, including uniform administrative requirements, provisions of subrecipient agreements, program income, use of real property, record-keeping and reporting, and closeout procedures.
- b. Subpart K (24 CFR 570.600 - 570.614) deals with other CDBG program requirements, including civil rights, labor standards, environmental standards, flood insurance, relocation, displacement, acquisition, employment and contracting opportunities, lead-based paint, use of debarred, suspended or ineligible contractors, uniform administrative requirements and cost principles, conflicts of interest and the Americans with Disabilities Act.

## General Federal Requirements

In addition to the basic regulations of the CDBG program contained in 24 CFR Part 570, there are three other categories of requirements that affect the administrative systems and procedures that subrecipients must have in place in order to receive support:

- < Federal regulations governing administrative and audit requirements for grants and cooperative agreements (governmental subrecipients) for which HUD has oversight responsibilities;
- < Administrative circulars from the Office of Management and Budget (OMB) and Department of the Treasury governing cost principles, administrative systems, fiscal procedures and audit requirements for public and private grantees and subrecipients;
- < Executive Orders from the Office of the President implementing various equal employment opportunity and environmental policies.

The applicability of these general requirements depends upon the kind of public or private organization that receives CDBG funds.

### Community Based Organizations

For subrecipients that are non-profit organizations, the key regulations defining administrative requirements are:

OMB Circular A-122 "Cost Principles for Non-Profit Organizations": A publication of the U.S. Office of Management and Budget, this document establishes principles for determining cost that are allowed to be charged to Federal grants, under contracts, and other agreements with non-profit organizations (except educational institutions).

or,

OMB Circular A-21 "Cost Principles for Educational Institutions": This document covers much of the same subject matter as OMB Circular A-122, but is designed for use by educational institutions (both public and private).

and,

24 CFR Part 84 "Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations": This document specifies standards relative to pre-award requirements, financial and program management, property standards, procurement standards, reports and records, termination and enforcement, and closeout procedures. 24 CFR 84 supersedes OMB Circular A-110.

## Public Agencies

For "governmental subrecipients," (a public agency that is independent of the County of San Bernardino, such as a public housing authority, parks commission, or a cooperating city under the County's CDBG grant), the key administrative requirements are:

24 CFR Part 85 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Federally-recognized Indian Tribal Governments" (also known as the "Common Rule"): For government entities and public agencies, 24 CFR Part 85 details standards for financial management systems, payment, allowable costs, property management, procurement, monitoring and reporting program performance, financial reporting, record retention and termination;

and,

OMB Circular A-87 "Cost Principles for State and Local Governments": For government entities receiving CDBG or other Federal funds, this document is the government's version of OMB Circular A-122. Circular A-87 establishes the principles for determining the allowable costs of programs administered by public agencies under grants or contracts from the Federal government. The principles are designed to provide the basis for a uniform approach to determining costs and to promote efficiency.

# **CHAPTER 2**

## **FUNDING PROCESS**

## FUNDING PROCESS

### CDBG Funding Proposals

This section provides general information to persons or agencies interested in obtaining CDBG funding for eligible projects. Understanding how CDBG projects are qualified for funding will help you maintain the eligibility of your CDBG funded program. The County of San Bernardino utilizes an annual application process for inviting project proposals for CDBG funding.

Agencies requesting funding consideration under San Bernardino County's CDBG program must submit a completed "Project Proposal" application for each project (see sample in Appendix A). The application requires detailed and specific information about the proposal. The application is organized in sections covering applicant information, project description, project characteristics, project budget, funds requested, benefit area, and maintenance and operation.

The completed application should include a detailed project description. This description must justify why the project is needed and identify the expected benefits. In addition, you should explain how the proposed project meets at least one of the national objectives (see Evaluation). A complete description of the location, service, and clientele are of particular importance for those projects proposing to benefit low- and moderate-income persons. For public service proposals, provide the income or special need characteristics (e.g., disabled, elderly, abused spouses or children, etc.) of program clientele. A complete list of eligibility factors will be provided later in this chapter. Be sure that complete information is provided on the project's service area boundaries for public facility proposals.

As you complete your application, you will be asked to provide financial information about the proposed project. Section D of the application calls for an estimated project budget. The individual line items should show the expected dollar contribution for each cost category by CDBG funds and by other sources. The total of all line items under the CDBG heading should be the total funds requested in the application.

Section F of the Application requires a breakdown of the requested CDBG funds by the geographic area that will be served. In other words, as you analyze the services your agency intends to provide, you will also need to determine who will be served and where they reside. The distribution of your funding request should reflect the origins of your client base. For example, a public service agency that is located in the City of Redlands, where it derives most of its clients, also serves people from Loma Linda, Yucaipa and Mentone. Should this agency request \$25,000 of CDBG funds, a geographic funding breakdown might look like this:

Redlands	\$10,000
Loma Linda	\$ 5,000
Yucaipa	\$ 5,000
Mentone	\$ 5,000

As shown in this scenario, funds should not be requested from areas that you do not anticipate

serving. Care should be taken to ensure that you focus your proposal on just those geographic areas that you will serve directly. If you place dollar amounts in every area, or if you fail to designate any area, your chances for obtaining funding support may diminish.

If your agency proposes to serve residents of one or more of the non-cooperating cities, (such as the City of San Bernardino) in addition to residents of areas covered by the County's program, you must apply to that city for joint funding of the project. The CDBG funds allocated to the County of San Bernardino cannot be used to fund services that benefit residents of non-cooperating cities because they receive their own CDBG allocations from HUD.

Certain community development projects such as senior centers, community centers, parks, playgrounds, and swimming pools, require substantial funds for maintenance and operation. However, Federal law does not permit the use of CDBG funds for the maintenance and operation of facilities. The agency responsible for the facility must commit to its long-term (not less than 25 years) maintenance and operation. A formal maintenance and operation contract must be in force before CDBG funds can be spent on approved projects.

County ECD will provide technical assistance to groups or individual representatives of low- and moderate-income persons upon request. Applications must be completed and submitted to San Bernardino County ECD on or before the published deadline. Applicants seeking funding support from County CDBG participating cities need to contact those cities for information about the dates, times, and locations of city public hearings for prioritizing CDBG project proposals.

## **Proposal Evaluation**

Once your application is received by ECD, it is reviewed to determine project eligibility. CDBG funded projects must meet the CDBG program objectives, based on two main eligibility criteria:

- 1) Activity Eligibility -- Is the activity within the guidelines established by HUD? and,
- 2) National Objective -- Does the project primarily serve low- and moderate-income persons?

Upon completion of the evaluation process, ECD forwards a list of all eligible projects and copies of the corresponding applications to the participating cities and the County Supervisorial Districts from which funds are requested. For example, the sample application presented in Appendix A would be forwarded to the Cities of Redlands and Yucaipa, and the Third Supervisorial District. Based on a review of needs assessment information and the recommendations of participating cities, along with consultation with supervisorial district staffs and ECD staff, the Board of Supervisors, at its discretion, makes the final decisions regarding priority needs and the allocation of funds among such needs (see Funding Process Time Line on page 2-4).



At a public hearing before the County Board of Supervisors, ECD presents the proposed Consolidated Plan which includes a list of proposed CDBG projects. Public testimony is taken and the hearing is continued to allow time for revisions or corrections. At the continued hearing, ECD reviews changes to the draft plan and recommends that the Board approve the proposed plan and direct staff to prepare and submit the Final Consolidated Plan to HUD following completion of a 30-day public comment period.

## **Funding Notification**

County ECD sends written notification to the agencies approved for implementing the CDBG funded programs. Contracts must be written and approved for all CDBG funded programs prior to any expenditure of funds by the subrecipient agencies. Section 4, CONTRACTNG, reviews the contracting process and requirements.

## **Funding Process Time Line: From Application to Consolidated Plan**

<b>October</b>	<b>ECD issues a request for project proposals through countywide advertisements and notifications.</b>
<b>Early December</b>	<b>Applications are due for submittal to ECD.</b>
<b>December through Mid-January</b>	<b>ECD evaluates eligibility of proposals requesting cooperating city dollars.</b>
<b>Late January through Early February</b>	<b>Eligible proposals are forwarded to the cities indicated on proposals. Proponents may contact cities and speak at city hearings.</b>
<b>Late February</b>	<b>ECD evaluates eligibility of projects requesting CDBG funds for unincorporated areas.</b>
<b>Early March</b>	<b>Cities submit their funding recommendations.</b>
<b>Mid-March</b>	<b>Eligible proposals are forwarded to supervisorial district staff for review and consultation with ECD.</b>
<b>March through Early April</b>	<b>ECD compiles funding recommendations into Proposed Plan.</b>
<b>Early April</b>	<b>Proposed Plan is presented to the Board of Supervisors and proponents may speak at a CDBG public hearing.</b>
<b>Early April through Mid-April</b>	<b>Final revisions are made to Plan for approval by the Board of Supervisors and submittal to HUD.</b>
<b>Mid-April through Mid-May</b>	<b>Consolidated Plan is finalized.</b>
<b>Mid-May</b>	<b>Final Plan is submitted to HUD as County application for funds.</b>
<b>July</b>	<b>Funding becomes available for contracting with subrecipient agencies.*</b>

**\* Monies expended prior to the effective date of County contract cannot be reimbursed with CDBG funds. Please ensure that no funds are expended prior to contract approval.**

**CHAPTER 3**

**SUBRECIPIENT CONTRACTS**

## SUBRECIPIENT CONTRACTS

### Contracting Procedures

Once funding has been allocated to your agency in the Final Plan, a formal contract will be required in order to authorize disbursement of funds. The County authorizes payment on an expenditure reimbursement basis only. Please note: Expenditures incurred by your agency prior to the effective date of the County contract cannot be reimbursed by ECD, even if the funding was allocated prior to this date.

After the Final Plan is adopted, and funds have been allocated to your organization, you will receive a letter from ECD requesting a budget analysis for the allocated amount. Timely submittal of the budget analysis will facilitate contract processing. The earlier you return the budget and program description information, the earlier the contract effective date.

County policies require Board of Supervisors approval of purchases or contracts exceeding \$25,000. Contracts for up to \$25,000 are approved administratively and implemented under a Purchase Order. Generally, either process can be completed within 5-7 weeks of our receipt of completed and approved contract exhibits. Before submitting the contract for final approval, we will return a copy to your agency for review and signature. Although signature by your attorney is not required, you are encouraged to obtain any needed advice from counsel. If required by your agency's by-laws, your governing board should take action to approve the signing of the County contract. A copy of the meeting minutes indicating this action must be sent to ECD.

### Contracting Time Line (to complete a CDBG Subrecipient Contract):

*	receive program and budget information	start time line
*	review for accuracy	1 day - 1 week
*	prepare draft contract	1 week
*	internal review of contract	2 weeks
*	subrecipient to sign	1 day - 1 week
*	to Clerk of the Board or Purchasing Dept.	upon receipt of signed contracts
*	FINAL CONTRACT APPROVAL	1-2 weeks

The contract term is typically 12 months beginning July 1 and ending June 30, but it can be modified as needed to suit the needs of the agency providing the services. The contract will be effective on the 1st of the month in which the contract is approved. Contract starting dates cannot be made retroactive, so it is important that your agency submit the contract budget information needed by ECD to complete the draft contract, as soon as possible, so that the money will be available when you need it.

## Contract Provisions

San Bernardino County Department of Economic and Community Development (ECD) writes contracts that are used to subgrant CDBG funds to agencies that in turn provide public service programs on behalf of the County. These contracts are standardized to consistently cover the requirements discussed in the Contract Requirements section of this manual. However, ECD customizes some portions of the contracts to cover considerations that are unique to the particular agency and program being funded. The standard provisions of CDBG funded public service contracts are explained in this section of the manual. Each contract provision is identified below by the contract section number and title. The narrative that follows the number and title describes the purpose, meaning, use or importance of the provision. Refer to the contract or draft contract provided to your agency for specific contract language. In all cases, approved contracts prevail over descriptions provided in this manual. Also, unless specified otherwise, ECD shall have the authority to represent the County regarding the terms and conditions of your contract.

THE STANDARD CDBG SUBRECIPIENT CONTRACT PROVISIONS ARE AS FOLLOWS:

### 1. SCOPE OF SERVICES

- Provides a brief description of the services to be performed using CDBG funds
- Generally describes the clients eligible for program services and the area to be served
- Establishes the service area for the program
- References a full project description in Exhibit 1, Project/Activity Description

### 2. TIME OF PERFORMANCE

- Establishes the beginning date and ending date of the contract
- Does not cover any activities or costs that occur before the start date
- Does not cover any activities or costs that occur after the end date unless the contract is extended (see Time of Performance Modifications)

### 3. COMPENSATION AND METHOD OF PAYMENT

- Establishes the amount of CDBG funds provided by the contract
- Refers to Contract Exhibit 2 Budget Summary, Exhibit 3 Budget Justification Part I, and/or Exhibit 4 Budget Justification Part II and requires that no more than the amounts specified will be paid for contracted services
- Specifies that CDBG funds will be used only for reimbursing costs incurred by the contractor in performing authorized services
- Requires monthly submittal of supporting documentation as evidence of the expenditures to be reimbursed
- Requires that program expenditures be spread evenly over the term of the contract so that the public service will be provided throughout the term
- Requires that any requests for reimbursement not submitted by the contract end date, must be submitted within 60 days following the expiration date of the agreement.

4. BUDGET SECTION

- Limits expenditures to the amounts shown in the contract budget exhibits

5. USE OF FUNDS

- Restricts the subrecipient=s use of CDBG funds to only those items specified in the program budget
- Prohibits the use of CDBG funds for loans, providing security for loans, guaranteeing loan payments or to carry out activities that are not approved for CDBG funding

6. BUDGET MODIFICATIONS

- Provides a means for adjusting contract budget line items described in Exhibit 2, during the contract period

7. CHANGES IN GRANT ALLOCATION

- Reserves County=s right to reduce the contract amount if the funds are not being spent quickly enough to complete the contract

8. REVENUE DISCLOSURE REQUIREMENT

- Requires the subrecipient to provide a revenue source statement outlining all revenue received or expected to be received that will be used to conduct program activities
- Requires the subrecipient to keep this information current by providing updates to the list
- Requires the subrecipient to make audits and financial records available for review, including the organization's General Ledger, General Journal, Cash Journal and the verifiable CDBG account records.
- Requires the subrecipient to maintain the financial records at a location in San Bernardino County
- States, County may cancel the contract if the agency fails to comply with these requirements

9. JOINT FUNDING

- A cost allocation plan showing the distribution of CDBG funds may be required to document that a given cost is not paid by two or more funding sources. (See Appendix C, Funding Source Spreadsheet)
- Requires that the subrecipient provide proof of funds used in addition to CDBG funds for activities funded from multiple sources
- Restricts CDBG funds from paying for costs that are paid by other funding sources
- Applies CDBG accounting requirements apply to all funds used for the contracted services

10. PROGRAM INCOME

- Defines what constitutes program income
- Sets procedures and time frames for reporting and returning program income to the County
- Requires the subrecipient to spend retained program income on authorized activities only

11. FISCAL LIMITATIONS

- Allows the County to reduce the contract amount if HUD reduces the CDBG funds
- Authorizes ECD to suspend payment on the contract for up to 60 days if questions arise about the subrecipient's ability to properly account for its funds or carry out the contract

12. NONEXPENDABLE PROPERTY

- Defines what constitutes nonexpendable property
- Requires that records be kept about such property acquired with CDBG funds
- Sets procedures for disposing of such property and returning to the County any income from sale of the property

13. EXPENDABLE PERSONAL PROPERTY

- Defines expendable personal property

14. PURCHASE OR LEASE OF NONEXPENDABLE PROPERTY OR EQUIPMENT

- Requires the subrecipient to obtain at least 3 County approved comparable price quotes prior to purchasing or leasing items valued over \$1,000 per unit
- Requires the subrecipient to inventory such items
- Requires ECD approval prior to sale or disposal of such items

15. ACQUISITION OF SUPPLIES AND EQUIPMENT

- Allows the subrecipient to purchase supplies or equipment from a related agency only under certain conditions, with County approval

16. PURCHASE AND INVOICE DEADLINES

- Requires that purchases of equipment or property be completed before the last three months of the contract term

17. TRAVEL AND CONFERENCE RESTRICTIONS

- Limits the use of CDBG funds for travel and conference expenses to employees of the subrecipient

- Requires that out-of-state travel be specified in Exhibit 2, Budget Summary

18. USE OF FUNDS FOR ENTERTAINMENT, GIFTS, OR FUND RAISING ACTIVITIES

- Prohibits using CDBG funds to pay for entertainment, gifts, or fund raising activities because such uses do not directly benefit low- and moderate-income persons

19. MONITORING

- Explains that ECD will monitor the CDBG funded program to check on program progress, management of the program and its results
- Explains that monitoring may include attendance at agency board or advisory committee meetings
- Requires the subrecipient to allow on-site inspections and furnish needed information
- Disclose that ECD will tour the facility to evaluate program accessibility for disabled individuals

20. BENEFICIARY QUALIFICATION

- Defines low- and moderate-income beneficiaries (clients) as persons whose annual household incomes are at or less than HUD Section 8 Income Limits (at or below 80% of the County=s median income adjusted for family size)
- Lists the categories of clients presumed by HUD to be low- and moderate-income persons
- Requires the subrecipient to document the qualifications of all program beneficiaries by using the form provided as Exhibit 6, Beneficiary Qualification Statement
- A Spanish Language version of the Beneficiary Qualification Statement, Exhibit 6b is provided for convenience, but the County can not guarantee the accuracy of the translation and the County cannot be held responsible for any errors

21. PROGRAM REPORTING AND RETENTION OF RECORDS

- Subrecipient shall maintain financial, program progress, and other reports as required by HUD and/or COUNTY directives. Subrecipient shall maintain such program, property, personnel, financial statistical, and supporting documentation for accounts for a minimum of five (5) years
- Requires the subrecipient to submit information needed for the County=s annual Grantee Performance Report to HUD
- Requires the subrecipient to submit an activity report each month using the form provided as Exhibit 7, Monthly Program Progress Report and Monthly Direct Benefit Report
- Requires those subrecipients who will receive multi-district funding (funding from two or more cooperating cities and/or supervisorial districts) to submit a report each month showing the amount of funds expended to benefit the residents of the communities that funded the project, using the form provided as Exhibit 8, Community Benefit Report

22. ACCOUNTING



- Requires the subrecipient to maintain an adequate and generally acceptable accounting system

## 23. AUDITS

- Requires the subrecipient to have an audit of its systems and accounts, consistent with Generally Accepted Auditing Standards and Government Auditing Standards  
The subrecipient has a Certified Public Accountant (CPA) audit the subrecipient's internal accounting systems, policies and procedures. The CPA should also examine the agreed upon contractual activities for compliance such as:
  - program activities
  - allowable costs
  - eligibility
  - matching funds if applicable
  - reporting requirements
- Requires that the audit be conducted in compliance with the requirements of OMB Circular A-133 if \$500,000 or more of federal funds are received in a given year
- Requires submittal of each audit within 9 months after the end of the audit period, and submittal of responses to concerns or findings within 30 days following submittal of the audit

Allows the County or any state or federal agency to require additional audits or reviews

- Explains that the subrecipient must reimburse any misappropriated or misapplied funds and legal fees and court costs
- For purchase orders totalling \$25,000 or less:
- Subrecipient will be required to submit a year end financial report including an Income Statement and a Balance Sheet

## 24. ASSIGNMENT

- Prohibits the subrecipient from assigning the performance of the contract to any other agency without the County's express written consent

## 25. TERMINATION AND TERMINATION COSTS

- Provides a proper framework for termination of the contract
- Permits the County to immediately terminate the contract under certain circumstances
- Describes the actions allowed under federal regulations if the subrecipient fails to comply with any term of the contract
- Provides the subrecipient with compensation for all costs of services properly rendered in good faith to the date of termination

## 26. REVERSION OF ASSETS

- Requires the subrecipient to transfer any CDBG funds remaining on-hand to the County when the contract expires
- Requires that real property continue in the use that originally qualified for CDBG funding for a specified period after expiration of the contract

27. TIME OF PERFORMANCE MODIFICATIONS

- Allows for mutual approval of extensions to the contract term up to 12 calendar months

28. INDEPENDENT CONTRACTOR

- Separates the subrecipient as being independent from the County and the County likewise as being independent from the subrecipient

29. CONTRACT COMPLIANCE

- Requires the subrecipient to provide equal employment and career advancement opportunities for minorities, women and disabled veterans
- Requires the subrecipient to comply with the County=s subcontracting program for participation by Emerging Small Business Enterprises (ESBE's)
- Specifies the laws and executive orders pertaining to equal employment opportunity and requires that the subrecipient comply with these and other applicable federal, state or County laws, regulations and policies relating to equal employment and contracting opportunities

30. DISCRIMINATION

- Prohibits excluding any persons from the CDBG funded program on the grounds of race, sex, creed, color, religion, or national origin

31. RELIGIOUS PROSELYTIZING OR POLITICAL ACTIVITIES

- Prohibits use of CDBG funds to promote any religious or political activities

32. CONFLICT OF INTEREST

- Requires the subrecipient to comply with all applicable federal, state and County laws and regulations governing conflict of interest
- Prohibits persons who make decisions or have access to inside information from obtaining a personal or financial gain from CDBG funds, except for approved salaries or personnel costs
- Requires the Subrecipient to provide to the County a list of all current or proposed subgrantees or subcontractors, vendors, personal service providers or subsidiaries that will receive \$10,000 or more during the contract term

33. HUD HOLD HARMLESS

- Provides legal protection to the County regarding the subrecipient=s actions under the contract
- Requires the subrecipient to assume financial and legal responsibility for providing contract services, and for any losses incurred by the County as a result of a determination by HUD that the program failed to comply with CDBG regulations, or that funds were expended improperly

#### 34. INDEMNIFICATION

- Provides legal protection to the County regarding the subrecipient=s actions under the contract
- Requires the subrecipient to assume financial and legal responsibility for providing contract services and for loss or damage resulting from any negligence or other problems arising out of providing the services

#### 35. INSURANCE REQUIREMENTS

- Specifies the types, amounts and limits of insurance coverage required in order for the subrecipient to receive CDBG funds from the County
- Requires Workers Compensation Insurance
- Requires Comprehensive General and Automobile Liability Insurance: \$1,000,000 coverage or,
- Requires Comprehensive General, Automobile Liability Insurance and Transportation Liability Insurance: \$2,000,000 coverage if the Subrecipient provides transportation services in owned, hired, and non-owned vehicles
- Requires Errors an Omissions Liability Insurance, or Professional Liability Insurance
- Requires that the County be listed as Additional Insured for the duration of the service contract
- Subrecipients are requested to evaluate and provide the necessary proof of insurance (Certificate of Insurance Coverage) as mandated by the County Risk Management as defined in Appendix I, Insurance Requirements Matrix
- Requires subrecipients to submit Certificates of Insurance Coverage for verification by Insurance Data Services (IDS) - County of San Bernardino Compliance Unit fax: (909) 766-2299

#### 36. PROOF OF COVERAGE

- Proof of insurance coverage is mandatory before ECD staff writes a CDBG agreement
- Requires the subrecipient to submit certificates of insurance as proof of insurance coverage prescribed in Section 35
- Refers to Exhibit 5, INSURANCE INVENTORY, whereupon the subrecipient attests to carrying the required insurance coverage prior to entering into the contract

#### 37. INSURANCE REVIEW

- Authorizes the County Risk Manager to reduce or waive any of the insurance requirements, or to require additional types of insurance coverage

#### 38. COMPLIANCE WITH LAWS

- Establishes that the County and subrecipient are bound by federal, state and local laws, regulations and directives that pertain to the performance of the contract

39. AMENDMENTS: VARIATIONS

- Limits the agreement between the County and the subrecipient to the written contract
- Specifies that additions or variations to the contract are not valid unless they are made by written amendments, approved and executed by both parties

40. NOTICES

- Identifies the County=s and the subrecipient=s address for serving written notices. It is the responsibility of the subrecipient to notify the County of a change of address, merger, re-organization and dissolutions.

41. COUNTERPART EXECUTION

- Allows the contract to be signed on different dates and remain as one contracting action

42. SIGNATURE PAGE

- Provides space for signatures of both the County and agency representatives
- The agency representative, typically the Chairman or President of the Board of Directors, must have properly documented signature authority as granted by the Board.
- Space may also be provided for the Executive Director=s signature

## **Contract Exhibits**

The following are the exhibit forms that are attached to the contract as part of the agreement (Samples of Exhibits 1 through 8 are contained in Appendix B).

Exhibit 1, PROJECT ACTIVITY/DESCRIPTION

- Specifies a detailed description of the program's scope of service, including the hours of operation, fee policies, the target population, program goals, units of services and the service site(s)

Exhibit 2, BUDGET SUMMARY

- Identifies the project budget by line item categories, including the dollar amounts for each budget line item to be paid by other non-CDBG sources
- Lists the names of the agencies that will provide non-CDBG funds for the program during the contract term

#### Exhibit 3, BUDGET JUSTIFICATION PART I, Supplies/Services

- Describes the justification for each entry in line items 2 through 8, on Exhibit 2, including sufficient detail to show the relationship between the budget line item and the scope of service

#### Exhibit 4, BUDGET JUSTIFICATION PART II, Personnel

- Provides job title(s), rates of pay or monthly salaries, hours per week, months of employment, and fringe benefit calculations (FICA, SUI, Workman's Comp., etc.) for CDBG paid personnel
- Includes a breakdown of costs by CDBG funds and other sources

#### Exhibit 5, INSURANCE INVENTORY

- Provides documentation of insurance coverage to demonstrate that the agency will be able to meet the County's contracting insurance requirements
- Self-insured public agencies name the entity with financial liability for the project/program

#### Exhibit 6, BENEFICIARY QUALIFICATION

- A form for determining whether a client meets the CDBG eligibility criteria specified by HUD guidelines
- Must be completed and kept on file (for a minimum of five years) for every client served during the life of the contract (See Record Keeping, Program Reporting and Retention of Records)
- The form is provided in English and Spanish.

#### Exhibit 7, MONTHLY PROGRAM PROGRESS AND DIRECT BENEFIT REPORT

- Provides a form for reporting progress toward meeting program goals with service unit counts and narrative descriptions of program activities (See Reporting Requirements)
- Must be completed and submitted monthly along with the reimbursement claim requests

#### Exhibit 8, COMMUNITY BENEFIT REPORT

- Provides a form for subrecipients who will receive funding from two or more cooperating cities and/or supervisorial districts to report the amount of funds expended to benefit the residents of each community that funded the project (See County Reporting Requirements)
- Must be completed and submitted monthly along with the Monthly Program Progress and Direct Benefit Report

## **CHAPTER 4**

# **ADMINISTRATIVE REQUIREMENTS**

# ADMINISTRATIVE REQUIREMENTS

## Introduction

The legal and contractual requirements that your agency must meet by accepting CDBG funding are numerous and may be confusing. This chapter is designed to assist you in understanding the federal and county CDBG requirements, which will be presented as follows:

### Federal Requirements:

- a. Financial Management
- b. Procurement Procedures
- c. Property Management
- d. Audits over \$500,000
- e. Closeout Procedures

### County Requirements:

- a. Insurance and Indemnification
- b. Contract Compliance
- c. Record-Keeping
- d. Reporting
- e. Audits less than \$500,000
- f. Violations
- g. Terminations

Please note that many of these requirements overlap and some County contract requirements are designed to carry out federal regulations or other County policies. The various OMB Circulars referenced in this chapter are covered in detail by the HUD handbook, *Playing by the Rules*. Copies of federal regulations and this HUD handbook are available from ECD by request.

## Federal Requirements: Financial Management

The general requirements for financial management systems and reporting are found in 24 CFR Part 85 and OMB Circular A-87 for governmental agencies, and in 24 CFR Part 84 and OMB Circular A-122 for non-profit agencies. The purpose of these requirements is to ensure that a subrecipient receiving federal funds has a financial management system that will: 1) provide effective control for all funds, property and other assets; 2) identify the source and application of funds for federally sponsored activities; and 3) permit the accurate and timely disclosure of financial results in accordance with the reporting requirements of the County and of HUD. The federal regulations provide specific requirements in the following areas: internal controls, accounting records, allowable costs, source documentation, budget controls, cash management, financial reporting and audits. The first seven of these areas are discussed in this section. Auditing standards are described separately.

## Internal Controls

Internal controls consist of a combination of procedures, specified job responsibilities, qualified personnel, and complete records which together create accountability in an organization's financial system and safeguard cash, property and other assets. Through a system of internal controls, your agency can ensure that: 1) resources are used for authorized purposes according to all applicable laws, regulations, and policies; 2) resources are protected against waste, mismanagement, or loss; and 3) reliable information on the source, amount and use of resources is secured, maintained and disclosed in the appropriate records and reports.

Some of the basic elements that your agency should develop as part of your system of internal controls are an organizational chart, written definitions of the duties of key personnel, hiring policies that ensure qualified staff, and a formal system of policies and procedures for authorizing and recording transactions.

In addition, your agency should ensure adequate separation of duties so that no one individual has authority over an entire financial transaction. Separation of duties specifically involves the separation of three types of functional responsibilities: (a) authorization to execute a transaction, (b) recording of the transaction and (c) custody of the assets involved in the transaction. No one person should have control over more than one of these responsibilities. In organizations with very limited staff it may be difficult to achieve optimal separation of duties. In such instances, the most critical functions to be separated are custody for cash, record keeping for cash, and control of assets easily converted into cash.

Your agency should exercise caution regarding access to assets, blank forms, and confidential documents. Physical access to records, blank forms, cash, and other assets should be limited to authorized personnel only. For example, access to accounting records should be limited to only those individuals having record-keeping responsibilities or supervisory responsibility for them.

Finally, your agency should periodically conduct comparisons of financial records to actual assets and liabilities. Corrective action should be taken in response to any discrepancies. This is a crucial step to uncover and correct inadvertent record-keeping errors in a timely manner. It is also essential for identifying potential weaknesses in your financial management system.

## Accounting Records

Your agency is required to have accounting records that adequately identify the source and application of CDBG funds it receives. To meet this requirement, your accounting system should include a chart of accounts, a cash receipts journal, a cash disbursement journal, a payroll journal and a general ledger.

In addition to this information, your agency's files should contain complete copies of all pertinent



reimbursement requests (including supporting documentation), bank statements, cancelled checks or check copies, and other pertinent disbursement records. The retention period starts from the date the COUNTY submits its annual performance and evaluation report, as prescribed in 24 CFR 91.520, in which the service under the terms of this contract is reported on for the final time (see Section 21 of your County contract).

For the CDBG program, these accounting records must contain reliable and up-to-date information about the sources and uses of funds, including federal grant awards, assets and liabilities, program income and expenditures of funds. The expenditures should be further broken down to show which funding sources were used to provide the monies for the expense. A sample spreadsheet showing this breakdown is included in Appendix C.

### Allowable Costs

The standards for determining the reasonableness and allowability of costs incurred as part of CDBG financed activities are found in OMB Circular A-87 for governmental recipients and in A-122 for non-profit subrecipients. According to the guidelines contained within these circulars, a cost is allowable under the CDBG program if:

- 1) The expenditure is necessary, reasonable and directly related to the grant.
  - This standard applies equally to such items as salaries and administrative services contracts, as well as to real property and equipment purchases or leases, travel and other administrative expenditures.
  - In determining whether a given cost is reasonable, consideration shall be given to factors such as whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the program; and,
- 2) The expenditure has been authorized by the county through approval of the budget for the activity. The program budget will be outlined in the subrecipient contact for services; and,
- 3) The expenditure is not prohibited under federal, state or local laws or regulations; and,
- 4) The subrecipient applies generally accepted accounting principles in computing the cost, and utilizes the same procedures in calculating costs as for its non-federally assisted activities; and,
- 5) The cost must be allocable to the CDBG program. A cost is allocable to a particular cost objective (grant, program or activity) in proportion to the relative benefits

received for that objective. This means that:

- If an office is utilized by two programs during the same hours, the costs of the office should be allocated between the two programs on an equitable basis.
  - The same expense cannot be claimed against more than one grant (double-billing is prohibited); and,
- 6) The cost is net of all applicable credits. Any credits such as purchase discounts or price adjustments must be deducted from total costs charged. The subrecipient is not allowed to make a profit from credits against any costs charged to CDBG funds.

### Source Documentation

The general standard is that all expenditure records must be supported by source documentation. (See 24 CFR Part 85.20 (b)(6) and 24 CFR 84.22 and OMB Circular A-122, Attachment A). Supporting documentation is necessary to show that the costs charged against CDBG funds were incurred during the effective period of your contract with the County, were actually paid out, were expended on allowable items and had been approved by the responsible officials in your organization.

The source documentation must explain the basis of the costs incurred, as well as, showing the actual dates and amount of expenditures. For example:

- With respect to payroll, source documentation should include employment letters and all authorizations for rates of pay, benefits, and employee withholdings. Such documentation might include union agreements or minutes from board of directors' meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms and etc. Copies of the payroll register, canceled checks to the employees or evidence of direct deposits will document the actual outlay of funds.
- For staff time charged to the CDBG program activity, time and attendance records must be submitted, indicating time charged to CDBG, as well as, other funding sources (if any). If an employee's time is split between CDBG and another funding source, time distribution records must be submitted to support the allocation of charges among funding sources.
- With respect to the cost of space and utilities, space costs must be supported by documentation such as rental or lease agreements. Utilities will be supported by bills and canceled checks. If the cost of space or utilities is split between the CDBG funds and other sources, there must be a reasonable method in place to allocate the charges fairly among the funding sources.
- With respect to supplies, source documentation should include purchase orders or

requisitions from the subrecipient, an invoice from the vendor (signed-off to indicate the goods were received), the canceled check proving payment, information regarding where the supplies are stored and for what program objectives they are used.

### Budget Controls

Your organization must have procedures in place to monitor obligations and expenditures against your approved budget(s) for CDBG-funded activities. The County is under no obligation to reimburse you for expenditures which exceed approved budget line items or the overall budget for CDBG-assisted activities. Therefore, you need to have an on-going system for comparing actual receipts, encumbrances, and expenditures against the CDBG contract budget in order to ascertain in a timely fashion that you are on track or whether it will be necessary to initiate a formal budget revision. In addition, since the contract budget reflects the subrecipient's best estimate of the resources necessary to accomplish the CDBG contract scope of services, any pattern of line item overruns should prompt a careful re-assessment of whether the available resources will still be sufficient to achieve the agreed-upon objectives. In order to compare and control expenditures against approved budgets, you should:

- maintain accounting records that include the amounts budgeted for eligible activities; and,
- include unexpended/unobligated balances for budgeted categories, as well as, obligations and expenditures; and,
- periodically compare actual obligations and expenditures-to-date against planned obligations and expenditures, and against projected accomplishments for such outlays.

These comparisons should be made on an ongoing basis, not after most of the funds have been committed. In addition, it is critical that subrecipients maintain a close watch over the progress achieved for the amount of funds expended. It does little good to stay within the budget if the actual accomplishments lag far behind in terms of the units of service delivered.

### Cash Management

Your organization needs to be able to forecast accurately what its project expenses are going to be. If its CDBG activities are relatively stable (the same type and level of activities from month to month), you can begin with the previous month's financial activity as a starting point for an estimate of current period cash needs. This estimate, however, should be modified for periodic expenses, such as insurance or seasonal variations in costs, like heating and electricity. If your agency's activities are expanding or exhibit irregular fluctuations, then it is important to devote more careful attention to predicting future cash requirements.

It should be noted that a "cash requirements report" is a standard management tool for anticipating monthly (or even weekly) cash flow needs of a business. When a subrecipient is not able to track

its expenditures and encounters large fluctuations in the disbursement of obligated funds (as can happen, for example, in construction activities), there is a tendency to invade other non-CDBG funds, or alternatively to "temporarily borrow" CDBG funds for non-CDBG purposes. These practices are prohibited and may result in program sanctions or termination of the CDBG contract.

### Financial Reporting

The financial reports prepared by your agency must be accurate, timely, current, and must represent a complete disclosure of all financial transactions and status in each Federal grant program under which assistance is received (24 CFR 85.20(b)(1) and 85.41, or 24 CFR 84.50).

Financial reports are required monthly and you must have the capacity to provide at least the following information for each CDBG activity:

- Amount budgeted;
- Reimbursements received to date;
- Program income and other miscellaneous receipts in the current period and to date;
- Actual expenditures or disbursements in the current period and cumulatively to date, for both program income and regular CDBG grant funds;
- Current encumbrances or obligations in addition to disbursements;
- Unpaid requests for payment previously submitted at the time of the latest drawdown.

In addition, a subrecipient's accounting and record-keeping system must be able to support the data included in (a) its reimbursement requests, (b) its other financial and progress reports, and (c) any submissions necessary for the County's annual Grantee Performance Report to HUD.

### **Federal Requirements: Procurement Procedures**

Whether you occasionally purchase office supplies or contract for millions of dollars of construction services, the requirements governing the purchasing process are designed to ensure that you follow a free and open competitive process in securing those products or services. You must document your purchasing activities and decisions, observe the special rules for particular kinds of purchases (small purchases, competitive sealed bids, competitive proposals, and sole source procurement), properly bond and insure work involving large construction contracts and/or subcontracts, and contract with minority and/or women-owned businesses to the maximum extent feasible.

This chapter outlines the requirements for using federal funds to purchase materials, products or services utilizing CDBG funds, focusing on the requirements of public service projects. For

construction related projects, please contact ECD staff for further guidance. The requirements for contracting with minority and/or women-owned businesses will be addressed in a separate section.

When it comes to spending the taxpayer's money, no matter how small the amount, it is important to ensure that the prices you pay are competitive and that you (and the taxpayer) are getting good value. The rules don't require that you get a bargain every time you buy, but only that you pay a fair price and get what you paid for. This means that you should use CDBG funds to purchase what is necessary under the terms of your contract and no more. You should also be able to demonstrate the integrity of your purchasing procedures by documenting the history, results and decisions behind your purchases. You are required to follow rules for certain kinds of transactions and to offer opportunities to disadvantaged firms to respond to your purchasing needs. These requirements help to ensure that taxpayer resources are not wasted.

By observing the basic rules, you may find your purchasing decisions can be more efficient. For example, if you set up a standardized purchasing system for securing price quotations and preparing purchase orders, you won't have to reinvent the wheel every time you want to buy materials and supplies. These efficiencies in turn can help make your limited purchasing budgets go much farther.

In addition, when you use CDBG funds to purchase materials or services, it is not sufficient simply to state that you followed the regulations. You have to be able to prove it. Therefore, in order to avoid disallowed costs, it is necessary that you document the background, need and the details of every purchasing decision, whether it involves renting an office or buying materials. At first, this may appear burdensome, but full documentation can help you avoid serious problems in the long run. Detailed procedures and requirements are spelled out on the following pages.

### General Procurement Requirements

The standards and procedures for procurement are intended to ensure that supplies, equipment, construction and other services acquired in whole or part with federal funds are obtained as efficiently and economically, as possible, and are procured in a manner that provides, to the maximum extent practical, open and free competition.

Solicitations for goods and services must be based on a clear and accurate description of the materials, products or service to be procured and cannot contain features which unduly restrict competition. Some of the situations considered to be restrictive of competition include placing unreasonable qualifying requirements on firms, requiring unnecessary experience and excessive bonding, specifying only "brand name" products instead of allowing "an equal" product, non-competitive pricing practices between firms or affiliated companies and non-competitive awards to consultants on retainer contracts.

Procurement contract awards are to be made to the bidder or offerer whose bid or offer is responsive to the solicitation and is most advantageous to your agency; price and other factors considered. Any and all bids may be rejected when it is in your agency's interest to do so.

Your agency must ensure that the award is only made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement contract. Consideration should be given to such matters as contractor integrity, compliance with public policy,

record of past performance, and financial and technical resources.

The federal guidelines for contracting are designed to further ensure that contracts are structured and managed in a way that is consistent with good administrative practices and sound business judgment. The federal requirements for these administrative areas are found in 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40 for subrecipients that are nonprofit organizations.

General procurement requirements include the following:

- Your agency must maintain records to detail the significant history of a procurement. Your agency must maintain files on the rationale for selecting the methods of procurement used, selection of contract type, the contractor selection/rejection process, and the basis for the cost or price of a contract (for non-profit subrecipients, 24 CFR 84.44 specifies that procurement records and files for purchases in excess of \$100,000 must be approved by the County and include the basis for Contractor selection, justification for lack of competition when competitive bids or offers are not obtained, and the basis for the award cost or price).
- Pre-qualified lists of vendors/contractors, if used, must be current, developed through open solicitation, include adequate numbers of qualified sources, and must allow entry of other firms to qualify at any time during the solicitation period (24 CFR 85.36(c)(4)).
- As part of its efforts to eliminate unfair competitive advantage, a subrecipient should exclude contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals from competing for such procurement (24 CFR 84.43).
- A subrecipient must ensure that awards are not made to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension" (24 CFR 85.35 and 24 CFR 84.44(d)).
- There must be written selection procedures for procurement transactions, and the procedures must be adequate to ensure compliance (24 CFR 85.36(b) and 24 CFR 84.44 (a)).
- The purchase of unnecessary or duplicate items should be avoided. Where appropriate, an analysis should be made of lease versus purchase alternatives (24 CFR 85.36(b)(4) and 24 CFR 84.44(a)).
- Whenever possible, use of federal excess and surplus property, or of intergovernmental agreements for procurement or use of common goods and services, should be considered as a way to foster greater economy and efficiency (24 CFR 85.36(b)(5) and (6)).
- All purchase orders (and contracts) must be signed by the authorized official(s) of your agency.
- Items delivered and paid for must be consistent with the purchase order and/or contract for the goods or service.

- Timely payment to vendors must occur once the order is delivered, inspected, accepted and payment authorized.
- A cost or price analysis shall be performed for every procurement action, including contract modifications and documentation to that effect should be maintained in the subrecipient files. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, subrecipients must make independent estimates before receiving bids or proposals (24 CFR 85.36(f) and 24 CFR 84.45).
- Profit or fee should be negotiated separately from price where competition is lacking or a cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of past performance and industry rates for the area (24 CFR 85.36(f)(2)).
- The list of provisions in 24 CFR 85-36(I) or 24 CFR 84.48, as appropriate, must be included in any contracts.
- Your agency must not use "cost plus a percentage of cost" pricing for contracts (24 CFR 85.36(0)(4) and 24 CFR 84.44(c)); in addition, subrecipients should use "time and material" type contracts only after a determination is made that no other contract is suitable and the contract includes a ceiling price that the contractor exceeds at its own risk (24 CFR 85.36(b)(10)).
- Public agencies must have protest procedures in place to handle and resolve disputes relating to their procurement and in all instances report such disputes to the grantee (24 CFR 85.36(b)(12)).
- There must be a documented system of contract administration for determining the adequacy of contractor performance (24 CFR 85.36(b)(2) and 24 CFR 84.47).
- Your agency must have a written code of conduct governing employees, officers or agents engaged in awarding or administering contracts (24 CFR 85.36(b)(3) and 24 CFR 84.42).
- Pursuant to the County Government Code Section 14.00-14.012, Contracts exceeding \$25,000 shall be approved by the County Board of Supervisors before a subrecipient incurs any expenses to charge against their Community Development Block Grant (CDBG).

#### Permitted Approaches to Procurement

Depending on the scarcity of the item or service desired, and the size of the purchase, different methods of procurement are available for use by subrecipients under the federal regulations. In all

cases under the terms of the contract, you must obtain County approval of your procurement action prior to purchasing items over \$1,000<sup>1</sup>.

- Small purchases (\$100,000 or less in aggregate per 24 CFR 84.44(e)(2)) can be made through the use of purchase orders, fixed price contracts, cost reimbursable contracts or whatever procuring instrument is appropriate to promote the best interest of the program (24 CFR 84.44(c)). A procurement of more than \$100,000 must not be broken up into smaller components solely to qualify for the less complicated procedures followed under the "small purchases" approach.
- In accordance with 24 CFR 84.45, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Cost analysis, as defined in the federal regulations, is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability. Typically, the appropriate documentation would be records of oral or written price quotations.

For purchases over the \$100,000 limit, procurement of goods and services must utilize one of the following methods:

- Competitive sealed bidding is a formal advertisement procedure (24 CFR 85.36(d)(2)). The procurement must lend itself to a firm, fixed price contract (lump sum or unit price) where the selection can be made principally on the basis of price. Your agency must advertise the Invitation for Bid (IFB) in publications of general circulation. The IFB must include complete and accurate specifications and pertinent attachments, and clearly define items or services needed in sufficient detail for the bidders to respond properly. Bids must be opened publicly at the time and place stated in the IFB. Your agency must receive at least two or more responsible bids for each procurement transaction. If awarded, the contract must be given to the lowest responsive and responsible bidder. The competitive sealed bid method is the preferred approach for procuring construction services.
- The competitive proposals process is generally used to obtain consultant services (24 CFR 85.36(d)(3)). A subrecipient should use this method only when conditions are not appropriate for the use of sealed bids. Request for Proposals (RFP) must be used and must clearly and accurately state the technical requirements for the goods and services required. Your agency must publicize the RFP, and to the maximum extent practicable, honor reasonable requests by parties to have an opportunity to compete. Proposals must be solicited from an adequate number of qualified sources, consistent with the nature and requirements of the procurement.
- Your agency must conduct a technical evaluation of the submitted proposals to identify the responsible bidders. As necessary, your agency must conduct negotiations with those bidders who are deemed responsive, responsible and fall within a competitive price range, based on your evaluation of the pricing and technical proposals. After negotiations, these bidders may be given the opportunity to submit a "best and final" offer. The subrecipient

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<sup>1</sup> \$1,000 is a locally defined limit.



must award the contract to the most responsive and responsible bidder after price and other factors are considered through scoring the proposals (or "best and final" offers) according to predetermined evaluation criteria. The successful proposal/offer must clearly be the "most advantageous" source of the goods and services for the subrecipient.

- Non-competitive proposals/sole source procurement (24 CFR 85.36(d)(4)) may be used only under very limited circumstances. The subrecipient must show that another method of procurement was infeasible because either the item or service was only available from a single source, a public emergency or condition requiring urgency existed which did not permit the use of competitive procurement; or competition was determined to be inadequate after solicitation of proposals from a number of sources. For nonprofit subrecipients, 24 CFR 84.46(b) requires documented justification for lack of competition when competitive bids or offers are not obtained.

Among the procurement approaches described above, the competitive sealed bid results in a firm, fixed price contract. This is the preferred procurement approach when there are numerous available and qualified providers, when the requirements and specifications are thoroughly detailed and are unlikely to change, and where the subrecipient has the opportunity to make the provider assume a large share of the risk for nonperformance.

In other instances, for example, complicated rehabilitation projects or unique human service activities, other forms of competitive and non-competitive procurement may be necessary or desirable. In cases where price is not the single most important objective, it is still important to try to assure the highest possible quality of procurement at the lowest reasonable price through "open and free competition."

## **Federal Requirements: Property Management**

If your agency uses CDBG funds to acquire real or personal property, federal regulations make you, the subrecipient, responsible for ensuring that the property continues to be used for its intended and approved purpose, that you keep track of it, that you take care of it, and that you reimburse the County for the CDBG share of the property's value if you sell it.

However, the ownership, use, management and disposition of property is made somewhat more complicated by two facts. First, the regulations about property management and disposition are not exactly the same for public-sector and private-sector subrecipients. Second, the regulations also differ depending on the nature of the property. Real property (land and buildings) is treated differently than personal property (equipment and supplies).

The relevant federal regulations governing the management and disposition of property are 24 CFR 570.503 for all subrecipients, 24 CFR 570.502(b)(3)(vi), 570.505 and 84.33-37 for private sector subrecipients, and 24 CFR 570.505 and 85.32 - 85.34 for governmental subrecipients.

For the purposes of these federal regulations, "property" is classified according to the following distinct categories:

Real Property: Real property means land, including improvements to and structures located on the land, but excluding any movable machinery or equipment.

Personal Property: Personal property is any kind of property other than real property. Personal property is categorized as either non-expendable or expendable. Non-expendable property is considered to be property having a useful life of more than one year and an acquisition cost of \$1,000<sup>2</sup> or more per unit. Expendable property includes all personal property other than non-expendable personal property.

The federal requirements relating to property are organized according to title (ownership), use and disposition. In general, a subrecipient's property management system must provide for accurate records, the conduct of regular inventories, adequate maintenance and control, and proper sales procedures. This chapter will focus on the category of personal property. Should your agency need information regarding the purchase or disposition of real property, please contact ECD staff for specific requirements.

## Equipment

The regulations contain several requirements for the acquisition, use, maintenance, and disposition of equipment acquired with CDBG funds. It is important to remember that the purchase of equipment, in and of itself, is not eligible under CDBG regulations. However, CDBG funds may be used to purchase equipment needed to carry out an eligible public service. Procedures for purchasing equipment are addressed in the Procurement section of this manual.

Title to equipment may be vested in the subrecipient agency, subject to compliance with the requirements of use, management, and disposition. The following conditions from 24 CFR 570.502(b)(3)(vi) shall apply to **private non-profit agencies**:

- 1) Whenever personal property is no longer needed for CDBG activities, it must be transferred to the grantee (County) for the CDBG program or can be retained by the agency after compensation to the grantee (County).
- 2) Whenever personal property is sold, the proceeds will be considered program income.

Equipment purchased with CDBG funds or other forms of federal assistance must be used by your agency in the program or project for which it was acquired, and as long as needed, whether or not the program or project continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used for other activities currently or previously supported by a federal agency. Your agency must also make the acquired equipment available for use on the other projects or programs currently or previously supported by the federal government,

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<sup>2</sup> \$1,000 is a locally defined limit.

provided that such use will not interfere with the work on the project or program for which the equipment was originally acquired. Your agency is prohibited from using CDBG-acquired equipment to provide services that compete unfairly with private companies that provide equivalent services, unless specifically authorized by federal statute. Equipment acquired with CDBG funds may be used as a trade-in on replacement property, only with prior approval from the County.

CDBG regulations require that your agency adequately manage and maintain CDBG funded equipment. For equipment (including replacement equipment) acquired in whole or in part with CDBG funds, your agency must have procedures and control systems in place to:

- Keep adequate equipment records, which must include information on property description; identification; funding source; title holder; acquisition date and cost; Federal share of cost; location, use and condition; unit acquisition cost; and disposition data.
- Conduct a physical inventory of the property every two years, with a reconciliation of the inventory results with the equipment records.
- Maintain the equipment in good condition and ensure that adequate safeguards exist for preventing loss, damage, or theft of property.

When original or replacement equipment acquired with CDBG funds is no longer needed for the original project or program, or for other activities currently assisted with Federal funds, the following rules of disposition stated in 24 CFR 85.32(e) will apply to **governmental subrecipients**:

- 1) Equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of by your agency, after notice to the County. The proceeds from sold equipment are considered program income.
- 2) Equipment with a current per-unit fair market value of \$5,000 or more may, after notice to the County, be retained or sold by your agency with the County having the right to the compensation. The compensation amount is determined by multiplying the current fair market value or the proceeds from the sale by the CDBG share (percentage) in the original acquisition price of the equipment.

In addition, when equipment purchased with CDBG funds is sold, the net proceeds are considered program income (24 CFR 570.502(a)(8)). Please refer to the Chapter 6: Monitoring for more information about utilizing and reporting program income.

### Supplies

For governmental and non-profit subrecipients: Upon termination of your agreement with the County, where there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value which is not needed for any other Federally-sponsored program, the agency must compensate the County for the share of such supplies that was acquired with CDBG funds (24 CFR 85.33(b) and 84.35(a)).

## **Federal Requirements: Audits over \$500,000**

Financial and performance audits are designed to assure that CDBG program resources are applied "efficiently, economically and effectively to achieve the purposes for which the resources were furnished," and that the County and your agency are accountable to the public.

Financial audits are designed to provide an independent opinion on whether your agency's financial statements present in a fair manner, actual operating results in accordance with accepted standards, and whether your agency has complied with specific financial requirements in terms of systems and procedures. Performance audits provide an independent point of view on the extent to which your agency has efficiently and effectively carried out its operations and achieved the intended results or benefits of the federally funded programs.

A formal financial/compliance audit must be performed in conformance with OMB Circular A-133, subpart B. Section 200 (a) Audit Requirements, any time your agency receives \$500,000 or more in federal funds in a year. The audit's primary goal is to determine whether your agency has adequate systems in place to assure that:

- program goals and objectives are met,
- resources are safeguarded,
- laws and regulations are followed, and
- reliable data are obtained, maintained and accurately disclosed.

This level of review should always result in a management letter from the auditor that expresses a formal opinion about the accuracy and reliability of the data presented.

### General Audit Requirements

Private Non-Profit Subrecipients that receive \$500,000 or more in total Federal financial assistance in a year are responsible for obtaining an independent audit in accordance with the Single Audit Act of 1984 and OMB Circular A-133. Financial assistance includes all federal funds received by the entire organization, and not just the department or division receiving the CDBG funding. The federal assistance may be received directly from a federal agency or passed through state or local

government or through non-profit organizations. Government agencies shall follow the audit requirements of OMB Circular A-128.

If your agency receives less than \$500,000 per year in federal financial assistance, it is exempt from OMB Circular A-133 requirements. However, as a subrecipient, you must still meet the audit requirements established by the County of San Bernardino. (See County Requirements: Audits For Contracts Less Than \$500,000, Page 4-28).

## Internal Control and Compliance Review

The Single Audit Act requires that the independent auditor determine and report on whether the subrecipient has internal control systems to provide reasonable assurance that it is managing its federally assisted programs in compliance with applicable laws and regulations. The auditor will perform tests of these controls to evaluate the effectiveness of the operation of policies and procedures, to prevent or detect material noncompliance. In compliance testing, the auditor will also examine a sample of transactions to determine whether: 1) the amounts reported by the subrecipient as expenditures were for allowable services, and the records show that those who received benefits were eligible to receive them; 2) applicable matching requirements, levels of effort, and earmarking limitations (such as ceilings on administrative costs or public service funding, as well as, allocations for activities to benefit low- and moderate-income individuals) were met; 3) the subrecipient's financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the financial statements were prepared; and, 4) expenses claimed by the subrecipient are in accordance with the applicable cost principles and uniform administrative requirements.

## Audit Reports

Following the completion of the audit, an audit report must be prepared. The audit report must contain at least the following:

- Financial statements and a schedule of federal assistance (showing total expenditures under each Federal grant program), as well as, the auditor's report on these two components; and,
- An evaluation of the agency's internal control systems, identifying significant internal accounting controls and controls designed to provide reasonable assurance that federal programs are being managed in compliance with applicable laws and regulations; and,
- A report on compliance containing an opinion as to whether each major federal program was being administered in compliance with applicable laws and regulations; a statement of positive assurance for those items tested; negative assurance for those items not tested; a summary of all instances of non-compliance; and, identification of total amounts questioned.

The audit report is due to the County within 30 days of completion of the audit. For **governmental subrecipients**, the audit must be completed and submitted within one year after the end of the period being audited, unless the County approves a longer period. For **non-profit subrecipients**, the audit must be completed and the report submitted no later than nine months after the end of the subrecipient's fiscal year, unless the County approves a longer period.

Your agency should maintain copies of audit reports on file for a minimum of three years from the date of their issuance. Similarly, you should ensure that your auditor maintains copies of the audit work papers for a minimum of three years from the date of the report issuance. If there remain unresolved audit issues at the end of this three-year period, the subrecipient should notify the auditor in writing to extend the retention period.

### Auditor Selection/Procurement

When arranging for audit services, your agency must follow the procurement standards found in 24 CFR 85.36 or 84.44 as applicable. (See Federal Requirements: Procurement)

For **governmental subrecipients**, the standards provide that while you are encouraged to enter into intergovernmental agreements for audits (and other services), an analysis should be made to determine whether it would be more economical to purchase the services from private firms. Where the use of intergovernmental agreements is required by state statute, however, such statutes take precedence.

The individual(s) or firm selected must be qualified and sufficiently independent of those representatives of your agency who authorize the expenditure of federal funds so as to produce unbiased opinions, judgments, or conclusions. In evaluating prospective auditors, you should consider the candidates' technical abilities, past experience with audits of this type, and the qualifications of the specific staff to be assigned. Cost considerations should only be a selection factor when the other criteria have been met.

### Audit Cost

The costs of audits made in accordance with the applicable regulations can be paid using CDBG funds if the contract allows. These charges can be treated as either a direct cost or an allocated indirect cost. If charged as an indirect cost, the percentage of costs charged to CDBG funds for a single organization-wide audit should not exceed the percentage that the subrecipient's federal funds represent of total funds expended by the entity during the applicable year. The percentage may be exceeded, however, if appropriate documentation demonstrates higher actual costs.

### Audit Review and Resolution

The reports from any independent audit must be forwarded by your agency to the County, who will review all such reports to determine whether they meet all relevant standards and are acceptable.

Your agency must establish a system to ensure a *timely and appropriate resolution* to audit findings and recommendations. This system must address both independent audits performed relative to the Single Audit Act, and audits completed on the subrecipient's operations by the HUD Office of the Inspector General (OIG), the U.S. General Accounting Office (GAO), or other governmental bodies. A subrecipient's first step in resolving audit findings is the preparation of a "Management Response" to the findings and recommendations contained in the audit report. In its response, the subrecipient should provide:

- Information on the actions taken (or planned) to correct the specified non-compliance or financial system deficiencies (for findings/recommendations with which the subrecipient agrees); and,

- The basis (including relevant documentation) for the belief that an audit finding or recommendation is inaccurate or inappropriate (for findings/recommendations with which the subrecipient does not agree).

The Management Response is due within thirty (30) days from your receipt of an audit report. If in your Management Response your agency has disagreed with any of the audit findings or recommendations, the County will re-examine the points in question to determine whether any revisions to the report's findings/recommendations are warranted.

For those audit findings and recommendations with which your agency agrees, and for any disputed findings or recommendations your agency challenges but the challenge is not upheld, the next step in the resolution process is the implementation of procedures to prevent the deficient conditions from recurring. Corrective action to respond to findings or to implement recommendations must be completed within one year of the issuance of the audit report. The County may perform a site visit or require documentation that the corrective action procedures have been implemented or may require the subrecipient's independent auditor to report whether the subrecipient has implemented the prior year's corrective action and/or recommendations.

A "repeat finding" (a deficiency or area of non-compliance which appears in more than one successive audit for a subrecipient) will be viewed very seriously by the County and can result in special conditions being attached to your agency's CDBG funding or other sanctions.

Occasionally, the findings from an audit will result in "questioned costs". A subrecipient's costs associated with its CDBG funding may be questioned for the following reasons:

- There is inadequate documentation to support the expenditure or the amount of cost charged to the grant;
- The expenditure does not appear to be related to the grant project;
- The cost was incurred outside the effective term of the contract with the County, or was a program expense incurred by your agency before environmental review clearance;
- The expense is unallowable under the program regulations and applicable cost principles; or,
- The cost required the prior approval of the County, and no prior approval was obtained.

To resolve a questioned cost, your agency must:

- 1) Provide the missing documentation to support the expenditure and amount; and,
- 2) Offer a detailed explanation of how the cost relates to the grant program; and/or,
- 3) For an expense, which required prior approval, seek retroactive approval.

If your agency is not able to resolve a questioned cost to the satisfaction of the auditor and/or County, the expense will be disallowed. A disallowed expense for which federal funds were originally used must be reimbursed to the County from non-CDBG/non-federal funds. On occasion, such reimbursements can be re-paid on a payment schedule negotiated with the County.

## **Americans With Disabilities Act**

The purpose of this section is to raise awareness of state and federally mandated standards for providing access to persons with disabilities. Generally, compliance with the requirements described below will constitute County CDBG contract compliance, but might not relieve building owners from liability under local, state, and federal law. If in doubt, the building owner should hire a certified building inspector to determine what improvements are needed.

- **Americans with Disabilities Act (42 U.S.C. 155, 201, 218, and 225)**-Provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, state and local government services and telecommunications. The ADA also states that discrimination includes the failure to design and construct facilities (built for first occupancy after January 26, 1993) that are accessible to and usable by persons with disabilities. The ADA also requires the removal of architectural and communication barriers that are structural in nature in existing facilities. Removal must be achievable, easily accomplishable and able to be carried out without much difficulty or expense.

### **Handicapped Accessibility**

CDBG regulations require adherence to the Americans With Disabilities Act. The following categories summarize the standards for accessibility that apply to federally-assisted buildings and facilities including buildings and facilities used to provide CDBG-assisted public services:

#### **Public Accommodations**

- A public accommodation is a private entity that owns, operates, leases to, a place of public accommodation.
- Places of public accommodation includes a wide range of entities, such as restaurants, hotels, theaters, doctors' offices, pharmacies, retail stores, museums, libraries, parks, private schools, and day care centers.
- Exception: private clubs and religious organizations are exempt from the ADA's Title III requirement for public accommodations. However, California Building Code: title 24- religious organizations, and private clubs are mandated to comply with ADA standards.

### **Section 504**

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted program



on the basis of handicap. Section 504 imposes requirements to ensure that “qualified individuals with handicaps” have access to programs and activities that receive federal funds.

Under Section 504 recipients and subrecipients are defined differently than under the HOME program. Section 504 recipients and subrecipients include any entity that receives federal funding (e.g., a subrecipient or Community Based Development Organization CBDO).

1. For any recipient or subrecipient that is principally involved in housing or social services, all of the activities of the agency, not just those directly receiving federal assistance, are covered under Section 504.
2. Contractors and vendors are subject to section 504 requirements only in the work they do on behalf of a recipient or subrecipient.
3. The ultimate beneficiary of the federal assistance is not subject to Section 504 requirements.

#### Provide Program Accessibility

- Individuals with handicaps must be able to find out about, apply for and participate in federally assisted program and activities.
- Special communication systems may be needed for outreach and ongoing communication (e.g. Telecommunications Device for the Deaf (TDD); materials on tape or in Braille; accessible locations for activities and meetings).
- Policies and Procedures must be non-discriminatory (e.g., housing providers cannot ask people with disabilities questions not asked of all applicants, screen individuals with disabilities differently or access an individual’s ability to live independently).

#### Path of Travel-Accessible Route

1. At least one accessible route within the boundary of the site shall be provided from public transportation stops, accessible parking and public streets or side walks to the accessible building entrance they serve. The accessible route shall, to the maximum extent feasible, coincide with the route for the general public.
2. At least on accessible route shall connect accessible buildings, facilities, elements, and spaces that are on the same site.
3. At least one accessible route shall connect accessible building or facility entrances with all accessible spaces and elements and with all accessible dwelling units within the building or facility.
4. An accessible route shall connect at least one accessible entrance of each accessible dwelling unit with those exterior and interior spaces and facilities that serve the accessible dwelling unit.

### Width Dimension for Path of Travel-Accessible Route

The minimum clear width of an accessible route shall be 36 inches (915mm) except at the entry.

If a person in a wheelchair must make a turn around and comes across an obstruction, the minimum clear width of the accessible route shall be 42 inches and at the turning point a clear width of 48 inches. (See Appendix N, Figure 7(a)).

### Space Requirements for Wheelchair Passage Width For Entry Door Ways

1. Space Requirements for Wheelchairs. Many persons who use wheelchairs need a 30 inch (760mm) clear opening width for doorways, gates, and the like, when the latter are entered head-on. If the person is unfamiliar with a building, if competing traffic is heavy, if sudden or frequent movements are needed. For most situations, the addition of an extra inch of leeway on either side is sufficient.

Thus, a minimum clear width of 32 inches (815mm) will provide adequate clearance. However, when an opening or a restriction in a passageway is more than 24 inches (610mm) long, it is essentially a passageway and must be least 36 inches (915mm) wide.

2. Space Requirements for Use of Walking Aids. Although people who use walking aids can maneuver through clear width openings of 32 inches (815mm), they need 36 inches (915mm) width provides a safety allowance both for the person with a disability and for others.
3. Space Requirements for Passing. Able-bodied persons in winter clothing, walking straight ahead with arms swinging, need 32 inch (815mm) of width, which includes 2 inch (50mm) on either side for sway, and another 1 inch (25mm) tolerance on either side for clearing nearby objects or other pedestrians. Almost all wheelchair users and those who use walking aids can also manage within this 32 inches (815mm) width for short distances. Thus, two streams of traffic can pass in 64 inch (1625mm) in a comfortable flow. Sixty inches (1525mm) provides a minimum width for a somewhat restricted flow. If the clear width is less than 60 in (1525mm), two wheelchair users will not be able to pass but will have to seek a wider place for passing. Forty-eight inches (1220mm) is the minimum width for an ambulatory person to pass a non-ambulatory or semi-ambulatory person to pass a wheelchair user, a person with a service animal, or a semi-ambulatory person. There will be little leeway for swaying or missteps. (See Appendix M, Figure A1).

### Wheelchair Turning Space within a Facility

These guidelines specify a minimum space of 60 inch (1525mm) diameter, or a 60 inch by 60 inch (1525X1525mm) T-shape space for a pivoting 180 degree turn of a wheelchair. This space is usually satisfactory for turning around, but many people will not be able to turn without repeated tries and bumping into surrounding objects. The space shown in Appendix M, Figure A2, , will allow most wheel chairs users to complete U-turns without difficulty.

## Clear Floor or Ground Space for Wheel Chairs

The wheelchair and user shown in Appendix M, Figure A3 represent typical dimensions for a large adult male. The space requirements in this guideline are based upon maneuvering clearances that will accommodate most wheelchairs. Appendix M, Figure A3, provides a uniform reference for design not covered by this guideline.

## ADA Guide for Small Businesses - Appendix O

This guide provides a readable overview of basic Americans With Disabilities Act requirements that affect small businesses, including non-profit organizations.

## **Federal Requirements: Closeout Procedures**

This section is designed to help you understand the process for ending a CDBG funded contract with respect to:

- general issues that must be addressed;
- specific closeout procedures typically undertaken by subrecipients;
- adjustments made to account for final costs, cash and other asset balances; and,
- continuing subrecipient responsibilities mandated by federal regulations.

By knowing these ahead of time, you can *take appropriate steps now* to assure that you and the County are fully aware of the issues likely to be addressed during the closeout process. You can also clear up any documentation problems that may hinder your ability to finalize activities and deliverables under your contract.

The closeout of a contract is the process by which the grantee determines that all required work under the contract has been completed. This means that all financial, administrative and performance issues related to the activities undertaken by the subrecipient must be resolved to the satisfaction of both you and the County. The following is a general listing of steps for program closeout.

### A. Programmatic Closeout

1. The subrecipient retains all program records for a period of three years after the closeout of the contract;
2. The subrecipient submits to the County, no later than 30 days past the end of the fiscal year (June 30), an audit of expenditures prepared with the following columns:
  - a. Total amount budgeted

- b. Total expenditures
  - c. Balance - any funds remaining in your agency account at the end of the contract term will be automatically reprogrammed to the general CDBG contingency account
3. The subrecipient obtains a final audit of the agency's financial records from a certified public accountant at the end of the fourth quarter or the conclusion of the agency's fiscal year. The agency is responsible for arranging this audit and submitting it to the County. The audit must meet the requirements of 570.509 and OMB Circular A-102 Attachment G

**B. Furniture and Equipment**

- 1. An inventory of furniture and equipment shall be supplied to the County upon request, or in all cases, at the end of the fiscal year as part of the subrecipient's final report.
- 2. All furniture and equipment purchased by the County for the subrecipient which has a County inventory control number is returned to Community Development Staff immediately upon request. On-going programs must submit a formal request to the County for the continuing use of the items and justification for their continuing usage.

**C. Final Program Evaluation and Reports**

- 1. At the request of ECD, the subrecipient shall submit a final program evaluation report no more than 30 days after the program year's final date. This report summarizes the final total of unduplicated clients served by the agency. It also summarizes the agency's accomplishments toward attaining the goals and objectives of the program. A Financial Summary may also be requested.
- 2. The final evaluation report analyzes the accomplishments and states any procedures or actions that may have increased the effectiveness of the program.
- 3. ECD staff may schedule an evaluation meeting to review performance. The subrecipient is evaluated on program performance and financial record keeping with respect to Contract compliance. For public service programs, a participant evaluation of the services may be required.
- 4. ECD staff will provide a notice of results to the subrecipient related to contract compliance if any problems are found in the operation of the agency.

**County Requirements: Insurance and Indemnification**

As part of contracting with the County of San Bernardino, your agency will be required, at a

minimum, to secure and maintain throughout the term of the contract the following types of insurance:

1. Workers' Compensation - A program of Worker's Compensation insurance or a state-approved Self Insurance Program sufficient to meet all applicable requirements of the Labor Code of the State of California, covering all persons providing services on behalf of your organization.

If Contractor has no employees, it may certify or warrant to County that it does not currently have any employees or individuals who are defined as “employees” under the Labor Code and the requirement for Workers’ Compensation coverage will be waived by the County’s Risk Manager.

With respect to Contractors that are non-profit corporations organized under California or Federal law, volunteers for such entities are required to be covered by Workers’ Compensation insurance. If the County’s Risk Manager determines that there is no reasonably priced coverage for volunteers, evidence of participation in a volunteer insurance program may be substituted.

2. Comprehensive General and Automobile Liability Insurance - Coverage to include contractual coverage and automobile liability coverage for owned, hired, and non-owned vehicles. The policy must have combined single limits for bodily injury and property damage of at least one million dollars (\$1,000,000). This requirement may be increased at the discretion of the Risk Management Division.

or:

Comprehensive General, Automobile Liability Insurance and Transportation Liability Coverage - This coverage is to include contractual coverage, automobile liability coverage and transportation liability coverage while providing transportation services in owned, hired, and non-owned vehicles. The policy shall have combined single limits for bodily injury and property damage of not less than two million dollars (\$2,000,000).

3. Errors and Omissions Liability Insurance - Combined single limits of one million dollars (\$1,000,000) for bodily injury and property damage and \$3,000,000 in the aggregate;

or:

Professional Liability - Professional liability insurance with limits of at least one million dollars (\$1,000,000) per claim or occurrence.

See Appendix J, Insurance Requirements Matrix for information about the kinds of insurance required depending on services to be performed.

See Appendix K for information about assistance under the SPARTA Insurance

Program.

In addition, the following provisions must be included:

- Additional Named Insured - All policies, except for the Workers' Compensation coverage and Errors and Omissions or Professional Liability must contain additional endorsements naming the County as additional named insured. For Professional Liability coverage, the County must be named as a designated person. The contract number, which will be shown on the approved contract, should be referenced on the policy.
- Waiver of Subrogation Rights - Except for Errors and Omissions and Professional Liability, all insurance carriers will be required to waive rights of subrogation against the County.
- Policies Primary and Non-Contributory - All policies are to be primary and non-contributory with any insurance or self-insurance programs carried or administered by the County.

Your agency will also be required, as a provision of the contract, to indemnify and hold the County harmless from any and all claims that may arise as a result of your actions, and from any claims that arise against the County as a result of a negative determination by HUD. Such a determination would indicate that activities undertaken by your agency, under the contract, fail to comply with any applicable laws, regulations, policies or that funds billed by and disbursed to you, under the contract, were improperly expended. Your agency may also be required, at its own cost, expense and risk, to defend any legal proceedings that may be brought against the County, on any claim and satisfy any judgement, that may be rendered against the County resulting from your activities. Your agency will assume liability for all direct expenses that result from providing services outlined in your contract and will be required to assume all responsibility for loss or damage resulting from negligence, injury, illness, or disease that result from the provision of services.

## **On-line Insurance Certificate Management Service**

County Risk Management recently retained Insurance Data Services (IDS) firm to incorporate an on-line Insurance Certificate Management Services tracking system for vendors and/or subrecipients that provide services to the County of San Bernardino. To insure compliance with the on-line Insurance Certificate Management Services requirements, IDS may require subrecipients, through a written notice, to submit certificates of insurance for verification via fax number: (909) 766-2299, Attention: Insurance Data Services - County of San Bernardino Insurance Compliance Unit.

## **County Requirements: Contract Compliance**

Your agency shall make every effort to ensure that all projects funded wholly or in part by CDBG funds shall provide equal employment and career advancement opportunities for minorities and

women. In addition, your agency shall make every effort to employ residents of the area and shall keep a record of the positions that have been created directly or as a result of this program.

Your agency is required to comply with rules and regulations. Operating Agency shall comply with Executive Orders 11246, 11375, 11625, 12138, 12432, 12250, Title VII of the Civil Rights Act of 1964, the California Fair Housing and Employment Act, County Policy 11-15 as revised, and other applicable federal, state and COUNTY laws, regulations and policies relating to equal employment and contracting opportunities, including laws and regulations hereafter enacted.

In 1997, a court decision upheld the validity of Proposition 209, which prohibits the use of any preference in the award of contracts. Another court decision found the State's Minority and Women Business Enterprise Program, unconstitutional. As a result, the County Board of Supervisors revised County Policy 11-15 on January 13, 1998. The policy revision converted the Minority and Women Business Enterprise (MWBE) participation program to an Emerging Small Business Enterprise (ESBE) outreach program. Under this new program, access will be increased to County contracting opportunities for all emerging small businesses, regardless of the race and gender of their owners. The County has established a Small Business Enterprise Manager who is developing and maintaining a directory of registered Emerging Small Business Enterprises. This directory is being used by County departments and prime contractors to identify, reach out to and procure goods and services from qualified ESBE's.

## **County Requirements: Record Keeping**

Accurate record-keeping and reporting is crucial to the successful management of your CDBG funded activities. The failure to maintain adequate documentation of CDBG funded activities is one of the most serious administrative issues undermining program performance and regulatory compliance of subrecipients in the CDBG program. Improper record keeping and reporting is a serious barrier to effective management of CDBG activities. Without adequate record keeping, you and the County cannot track performance against your contract goals, and the County cannot provide adequate management support. Every subrecipient is required to establish and maintain at least three major categories of records:

- Administrative records are the files and records which apply to the overall administration of CDBG activities. They will include personnel files, property management files, program policies and guidelines, CDBG related correspondence, contract and related documents, legal documents and board minutes.
- Financial records will include accounting procedures, journals and ledgers, source documentation (purchase orders, invoices, canceled checks), bank account records, financial reports, audit files, and etc.
- Beneficiary records document activities and services provided to the individual beneficiaries. Please note that Beneficiary Qualification Statements are required for all clients. These forms are to be kept on file to demonstrate compliance with the HUD guidelines for meeting National Objectives (see Appendix B).

In order to avoid monitoring findings and facilitate audit reviews, your agency will be required to retain records for extended periods of time, even though the activity for which you were funded may have been completed. In general, records are to be retained for five years from the date of submission of the GPR (an annual year end report) in which the activity was last reported. In cases involving litigation, insurance claims, or other action involving the records, the records must be retained until any such action is resolved.

All records must be accurate, complete and orderly. The County recommends that your agency establish a separate filing system for all CDBG related files in an easily accessible location for ease of monitoring. Keep in mind that representatives from the County, HUD, the Controller General of the United States, or of other authorized governmental agencies have the right of access to any pertinent records of your agency in order to make audits, examinations, excerpts, and transcripts. These files will be reviewed during the on-site monitoring visits. Please do not keep files in a separate location, such as with a board member.

## **County Requirements: Reporting**

By entering into a contract with the County, your agency agrees to prepare and submit financial statements, program progress evaluations, and other reports as required by HUD and/or the County. In addition, your agency agrees to provide services specified in the Project/Activity description of the contract (see Appendix B). Because these are public funds, it is important that they be used to maximize benefit to the public. The contract sets specific, quantifiable goals for each service program, and actual service delivery is carefully monitored. Typically, agencies receiving CDBG funds are required to report on both a monthly and an annual basis. The required reports include:

- 1) Monthly Program Progress and Direct Benefit Report, submitted with monthly billings
- 2) Community Benefit Report (for multi-funded projects only), submitted along with the Monthly Program Progress and Direct Benefit Report, and monthly billings
- 3) Annual Direct Benefit Report, to be included in the County's Annual Grantee Performance Report
- 4) Annual Program Income Statement

The Monthly Program Progress Reports and Annual Direct Benefit Reports will be addressed in this section. Program Income Statements are described in Chapter 7: Monitoring.

### **Monthly Program Progress Reports**

As you submit monthly reimbursement requests, you are also required to submit monthly Program Progress Reports. You will find this report on the last page of your contract. The purpose of this report is to demonstrate compliance with stated contract objectives and goals, and to justify the reimbursement of funds. Think of the report as a way to show the County what the community is receiving for its CDBG funding.

The monthly report has two sections: a narrative descriptive section and a client census section (see



Appendix B). In the narrative section, you will find that your agency's services are identified. You are required to describe, as precisely as possible, the type of service and the units of service that you provided. Include a brief narrative account of each activity, in addition to filling in the number of service units.

In the client census section, you are required to provide an unduplicated count of all persons served for the month being reported. An unduplicated count means that even if a person was served two or more times in a given contract year, he or she is only counted once. Because each person may participate in more than one subcomponent activity, totals in the first section of this report may be higher than those in the second section. Also keep in mind that since you are reporting an annual unduplicated number in the second section, your agency may report few or no persons in that month. For example, if in July you served and reported 20 people, and in August the same 20 people received service and you added one new person, then for the month of August, you would only report the one new person in the client census section.

### Participant Program Performance Standards

The United States Housing and Urban Development (HUD) is requiring counties across the nation to develop local measures of performance to report the end results of CDBG assisted programs and projects realizing that public service programs have unique goals, the County Department of Economic and Community Development (ECD) will be working with the subrecipients to develop program performance standards, to be written into the CDBG agreements for fiscal year 2004-2005. Such goals will be accomplished by specifying measurable performance outcomes related to the units of services portion of the Project Description, Exhibit 1 of 8.

### Annual Direct Benefit Reports

The county is required to submit a Grantee Performance Report to HUD each year. As part of this reporting process, each subrecipient, including your agency, will be required to submit an Annual Direct Benefit Statement. This statement is similar to the monthly statement in that you will be required to provide a total count of persons served and break down the ethnic composition of the clients. For this annual statement, you will be required to go back over the months reported and provide a total unduplicated number of persons served for the year. This report is due in the first week of August after every fiscal year in which you receive funds.

### **County Requirements: Audits For Contracts Less Than \$500,000**

Agencies receiving CDBG funds of \$25,000 or more, but less than \$500,000, are required to arrange for an independent financial/compliance audit to be performed within the direction of Generally Accepted Auditing Standards and Government Auditing Standards (see contract provision Audits). This level of audit consists of the compilation and review, by an outside accountant, of your operating data for a given period. However, at this level, the review is still informal and may not result in the accountant's accuracy of the results. The auditing period should coincide with the term of the contract and should be completed no later than nine months after the end of any fiscal year in which CDBG funds were received. If your agency received a combined level of \$500,000 or

more in federal funds from all sources, see Federal Requirements: Audits over \$500,000 (page 4-14).

Your agency is required to submit a copy of your audit report to the county within thirty days of completion. Within thirty days of submittal of the audit report, your agency must provide to the county a written response to any of the concerns or findings identified in the report. The response must examine each concern or finding and explain a proposed resolution, including a schedule for correcting any deficiency. All the corrective actions listed in your response must be completed within six months.

The County, or any state or federal agency, may make additional audits or reviews, as necessary, to ensure that your agency carries out its responsibilities under the County, state or federal laws and regulations. By entering into a contract with the County, your agency agrees to cooperate fully with all persons conducting these additional audits or reviews. Your agency must make all books, documents, papers, records, property, and the facility available to County representatives for inspection and audit purposes during the term of the contract with the County and for a period of five years afterward.

If indications of misappropriation or misapplication of the funds of this Contract cause the County to require an additional audit, the cost of the audit will be encumbered and deducted from your Contract budget. Should the County subsequently determine that the additional audit was not warranted, the amount encumbered will be restored to the Contract budget. Your agency will be required to reimburse any and all misappropriation or misapplication of funds to the County. In the event the County uses the judicial system to recover these funds, your agency will also be required to reimburse the County's legal fees and court costs.

Agencies receiving \$25,000 or less, as a single Purchase Order, are required to submit a year end financial report consisting of an Income Statement and Balance Sheet. Such financial reports shall be produced by the agency's financial officer, bookkeeper or accountant. The finance report may be subject to an audit review by the County auditors, monitors and/or agents of the U.S. Department of Housing and Urban Development (HUD) during an on-site monitoring visit.

## **County Requirements: Violations**

In accepting CDBG funds and entering into a contract with the County, your agency agrees to abide by the requirements as outlined in this manual and in your contract. Should your agency fail to comply or otherwise violate the terms of the agreement, the County may take one or more of the following actions provided under federal regulation 24 CFR 85.43 or 84.86:

- Withhold cash payments pending correction of the deficiency or violation
- Disallow all or part of the cost of the activity or action not in compliance
- Suspend, in whole or in part, the grant award for the program
- Withhold further awards for the agency or program

- Subrecipient will be unable to claim any unspent funds following the ending date of the agreement

### **County Requirements: Terminations**

The contract between your agency and the County of San Bernardino may be terminated in whole or in part by either party upon receipt of a thirty day written notice to that effect. For contracts involving improvements to the facility of the subrecipient, the contract may only be terminated by the County. Costs incurred by your agency during a suspension or after termination of contract are not allowable and will not be reimbursed.

# **CHAPTER 5**

## **REIMBURSEMENTS**

## **REIMBURSEMENTS**

### **Billing for Expenditure Reimbursement**

Under your CDBG funded contract with the County of San Bernardino, payment of grant funds will be made through reimbursement of monthly expenditures. As a result, grant payments will not be made to advance funds. This means that even with an allocation of CDBG funds and an active contract, your agency will not actually receive the funds prior to an expenditure on your part.

The contract only permits ECD to reimburse your agency for the expenditures specifically covered by the budget exhibits. However, minor adjustments are permitted to the budget exhibits during the term of the contract. If your agency anticipates the need for the modification to your contract budget, you must contact ECD staff prior to the incurring cost related to the modification (see CHAPTER 6, CONTRACT MODIFICATIONS). Otherwise the cost is not eligible to be reimbursed.

Your billing (reimbursement request) on the contract must be monthly. The contract requires that you submit your monthly billing by the 10th calendar day of the following month. This will provide for a timely reimbursement by ECD (approximately 30 working days). If your billing is received by ECD after the 10th, your reimbursement is subject to unavoidable delays in the payment process. Reimbursement delays may also occur from missing or incorrect program progress reports, expenditure source documentation or required signatures.

### **Reimbursement Procedures**

Subrecipients are required to only complete the official reimbursement claim forms prepared by ECD Financial Operations. These forms will include the current project number and purchase order number for the current year of funding. Duplicated copies of prior fiscal years billing forms will not be accepted.

To receive reimbursement for CDBG funded expenditures, ECD has established a standard billing procedure for all agencies to follow.

Soon after the approval of your contract, your agency will receive instructions, a completeness checklist and several forms for use in requesting payment. Samples of these forms are included in Appendix D. In addition, you will receive a copy of the Monthly Program Progress Report form (Appendix B) taken from your agency's contract. You may make copies of these forms to prepare Monthly Reports and Requests for Reimbursement.

Four of the forms included in the appendices must be submitted with each reimbursement request:

1. Monthly Report of Grant Expenditures and Request for Reimbursement Form (Appendix D);

2. Summary of Expenses Form (Appendix D);
3. Itemized Expenses Form (Appendix D);
4. Monthly Program Progress Report (Appendix B) (See Reporting Requirements in Chapter 4)

Some other forms you may need, such as weekly personnel time sheets and vehicle mileage reports, will also be sent to you. You may substitute your agency forms if you are already using a system that provides equivalent information.

## Supporting Documentation

Expenditure source documents must accompany all requests for reimbursement. Two kinds of source documents are required for each cost item:

### 1) Basis of Cost Incurred

- **Invoices or Receipts** from vendors, signed by the subrecipient indicating that the goods were received (items purchased and amounts charged must be identified).
- **Cash Register Receipts** - itemized and dated
- **Consultant Services Invoices** specifying the contractor, the services rendered, basis of cost per the consultant contract, and the dates of service.
- **Utility Bills** - Aonly current charges allowed≡
- **Rental Agreements** to support payments on a monthly building lease.
- **Time Cards** - signed and dated by employer and supervisor
- **Mileage Sheets**

For County Departments Only:

- TLR copies or EMACS reports are acceptable to establish a basis for personnel costs incurred.
- In some cases, interoffice memos requesting payment between County departments, which have been officially approved for payment, can be accepted in lieu of an invoice

### 2) Proof of Payment Made

- **Canceled Checks** - copies of both sides and/or page of image checks supported by the corresponding bank statement. The front side showing check form, date, amount payee, account paid against or purpose of payment and signature. The back side showing that the check cleared bank processing and was paid. If a copy of the back side of the canceled check cannot be obtained, a copy of the bank statement showing

- that the check has been paid can be submitted instead.
- **Credit Card Statements** must be accompanied by a copy of the check that paid the balance owed.

For County Departments Only:

- Signed and completed payment vouchers, bearing a valid and verifiable PV number, may be submitted as proof of payment
- Copies of FAS reports, showing the amount expended and all applicable accounting codes, also may be submitted as proof of payment
- As payroll proof of payment, County departments may submit EMACS reports or gross-to-net earnings statements, that show employee name or employee number, gross wages paid, taxes/benefits paid, and net disbursement amount.

Invoices and documents submitted to back up your request must be legible. Receipts for purchases made by the agency must be completed by the seller or provider of goods and services, not by the purchaser. Full explanations are required for each expenditure. County CDBG cost items should be circled or highlighted.

Please note that the County reserves the right to hold or return reimbursement requests and withhold payments until all required reports, statements, certificates or other documentation have been submitted and approved.

## Program Budgets

This section describes the various kinds of allowable program expenses applicable to each budget line item and specifies the appropriate documentation to submit in a reimbursement request.

### 1. Wages:

All employees, including executive directors, regular employees and contract employees, paid in whole or in part with CDBG funds, are required to prepare weekly time sheets. The time log sheets must be signed by the employee and his/her supervisor. The executive director's time sheet must be signed by an authorized member of the Board of Directors. These time sheets together with payroll records are required for reimbursement. Payroll records can include computerized payroll printouts or copies of signed checks along with check stubs showing gross to net wages paid.

### 2. Contract Services:

These cost items are typically such things as audit expenses, accounting services, professional counseling services, etc. For these items, a copy of the agreement or any amendment that identifies the monthly charge and the term of agreement must be submitted to ECD. Thereafter, a copy of the monthly payment is sufficient. For one time expenses, such as an audit, an invoice

with a copy of the canceled check showing payment will satisfy this requirement. For construction or engineering and design work performed for your agency, ECD staff must be consulted, as different requirements will apply.

3. Consultant Services:

For organizations that retain outside consultant company/services such as, auditors, accountants, employment agencies, payroll service companies, legal, equipment repair, specialized training, education, computers, and etc., special source documentation is required. These consultants can be individuals who have their own companies or independent firms and are not carried on the subrecipient's payroll. For reimbursement of payments to consultants, the following source documentation will be required prior to approval.

- 1) A copy of the contract outlining the specific services to be rendered utilizing CDBG funds; and,
- 2) A copy of the invoice from the consultant specifying the service rendered, dates of service and requesting payment from the subrecipient; and,
- 3) A copy of the method or instrument utilized for payment (i.e.: canceled check, receipt for cash payment, etc.

4. Travel:

Mileage reimbursement requests must be accompanied by a mileage log report. This report shall state the mileage traveled, destination, and purpose of each trip. Mileage logs must be signed by the employee and his/her supervisor. Travel reimbursement cannot exceed the travel allowance utilized by the county (currently \$.0375 per mile). Travel expenditures must be supported with verification of reimbursement (canceled check) to the employee incurring the expense.

5. Space Rental:

Rental costs can be documented either as contract expenses or by submittal of invoices and copies of canceled checks on a monthly basis. If treated as a contract expense, the current rental agreement (including any amendments) must be on file at ECD. Thereafter, proof of monthly payments (copies of canceled checks) will suffice as expense documentation.

6. Consumable Supplies:

Consumable supplies may include many different things depending upon the services provided. Postage and office supplies are typical, but if your agency provides shelter services this category can include items such as food, personal supplies, office supplies, etc.

Consumable supply expenses shall be documented with itemized receipts supported by proof of payment (copies of canceled checks). Credit card receipts are not acceptable unless the card is



issued in the name of the company (not an individual), and the card is used in daily business of the agency. The credit card invoice and a canceled check for the full amount are also required as proof of payment.

NOTE: Large item purchases over \$1,000 in unit value like file cabinets, office furniture, copiers or computers belong under line item 7: Rental, Lease, Purchase of Equipment.

7. Rental, Lease, Purchase of Equipment:

Office equipment, such as, file cabinets, office furniture, computers, and copiers; shelter equipment, such as, washing machines, refrigerators, and beds may be rented, leased, or purchased. Acquisition of such equipment exceeding \$1,000 unit value must be justified in terms of service provision and the agency must have prior County approval. A minimum of three (3) bids must be obtained and the purchase must be awarded to the lowest bidder.

Please refer to the Procurement section of Chapter 4 for guidance on purchasing procedures. Adequate documentation of an equipment purchase would include copies of comparable price quotes, invoices, and copies of canceled checks, as proof of payment. Again, credit card receipts alone are not sufficient proof of payment. For rented or leased equipment, the agency must provide copies of rental/lease agreements to the County. Combined with copies of canceled checks, proving payment, the agreement will suffice as source documentation.

8. Insurance:

Insurance payments can be documented with invoices and copies of canceled checks, as proof of payment. Late payment penalties are not eligible for reimbursement.

9. Other:

Items typically included in the AOther≡ line items can include utilities, telephone, copying charges, cellular phone, internet fees, and etc. Most other eligible reimbursable items not specifically falling under the previous eight (8) line item categories, should be listed here. These items are reimbursable with CDBG funds and can be documented with invoices and copies of canceled checks, as proof of payment. Again, late payment penalties are not eligible for reimbursement.

Subsidies may be accounted for on the AOther≡ line items. Day care, recreation, and campership programs may be reimbursed on the basis of documenting the use of CDBG funds to reduce fees paid by program participants. The initial establishment of a subsidy program must be supported by a program cost outline and a schedule of participant fees and proposed subsidies. Appropriate documentation for reimbursement of monthly subsidy expenses would include a roster of subsidized participants and records of fees paid by them, as well as, the subsidies provided.

## **Budget Line Item Balances**

Once a billing is processed and approved, you will receive an expenditure spreadsheet in the mail. This spreadsheet will show the updated status of the contract budget, detailing expenditures to date against the amounts budgeted. (See Appendix F). Please reconcile the data on the spreadsheet to your own records and contact ECD if you have any questions about the status of your budget.

## **Distribution of County Warrants Paying For Multiple Programs**

In some cases, the County Auditor-Controller's Office will issue combined warrants which are checks made payable to a single vendor that include dollar amounts justified by source documentation from two (2) or more programs. For instance, if your organization submits separate requests for payment/reimbursement to ECD and to the County's Aging and Adult Services Department, these requests may be processed simultaneously. As a result, it is likely that the Auditor-Controller will combine the dollar amounts from the individual requests into one check payable to your organization. However, when you receive this check, you may have difficulty determining what it is for since the dollar amount does not match any of your individual request records.

In such cases, you should refer to the remittance advice (check stub) attached to the warrant. This non-negotiable half of the warrant will have important information for your bookkeeper as to the sources and amounts that comprise the total warrant amount. If you require assistance reading the remittance advice or, if for any reason you are unable to ascertain the purpose of any ECD funded warrant, please contact the Financial Operations Division of ECD at (909) 388-0839 for further assistance.

## **CHAPTER 6**

# **CONTRACT MODIFICATIONS**

## CONTRACT MODIFICATIONS

Under the terms of County CDBG subrecipient contracts, there are two basic kinds of contract modifications that can be approved: Budget Modifications and Time of Performance Modifications. These can be granted only by the ECD Director or designee, and can only be granted in response to a written request submitted by the subrecipient.

- NOTE:**
- 1) Requests for modifications to the Contract do NOT become effective until written authorization is provided by the ECD Director or designee.
  - 2) County CDBG funds can be added by ECD to purchase order contracts up to a total of \$25,000 per year per subrecipient.
  - 3) Adding CDBG funds to an existing County Board of Supervisors, approved contract, would require approval of any significant change to the CDBG Action Plan, as well as, a contract amendment approved by the Board of Supervisors. Approved allocation increases in CDBG funds may be added to purchase order contracts that do not exceed \$25,000 per contractor per year. Such increases that cause purchase order contracts to exceed \$25,000, must be approved by the Board of Supervisors.

These Modification types are described as follows:

### Budget Modifications

Pursuant to the Contract's Provision Number 6; BUDGET MODIFICATIONS: A Budget Modification should be requested when it is anticipated that the organization will need to draw down more money from a particular budget line item than was originally budgeted for the line item in the contract. This request should be made on the agency's letterhead and signed by the Executive Director or a suitable individual that has been granted signing authority by either the Executive Director and/or the agency's Board of Directors. The request can be submitted to ECD either before (under separate cover), or along with, the agency's Expenditure Reimbursement Request/Monthly Activity Report packages. It is advised that prior to initializing this procedure, the agency contact their respective ECD Project Analyst.

The Budget Modification requests, as outlined above, should only be submitted if all of the following criteria are met:

- a. Do not exceed \$10,000 per budget cost category;
- b. Are specifically requested by the Contracted Agency (in writing);
- c. Do not alter the amount of compensation with the Contract;
- d. Will not change the project goals or scope of services;
- e. Are in the best interests of County and Agency in performing said services; and,
- f. When related to salaries, are in accordance with applicable salary ordinances or laws.

A sample letter of request for a Budget Modification is provided in Appendix I. It is strongly

recommended that the agency carefully review the contract expenditure report supplied by ECD following each monthly payment. Budget modification requests that exceed the current balance of funds available in the contract budget line items, cannot be approved.

## **Time of Performance Modification**

Pursuant to the Contract's Provision Number 27; TIME OF PERFORMANCE MODIFICATIONS:

A Time of Performance Modification should be requested when it is anticipated that the organization will need additional time to complete the service and expend the entire amount of the grant allocation as originally budgeted in the Contract's Budget Summary (Exhibit #2). This request should be made on the agency's letterhead and signed by the Executive Director or a suitable individual who has been granted signing authority by either the Executive Director and/or the agency's Board of Directors. The Time Extension request can be submitted to ECD either before (under separate cover), or along with, the agency's Expenditure Reimbursement Request/Monthly Activity Report package. It is advised that prior to initializing this procedure that the agency contact their respective ECD Project Analyst.

The Time Extension/Contract Modification requests, as outlined above, should only be submitted if all of the following criteria are met:

- a. In aggregate, do not exceed twelve (12) calendar months;
- b. Are specifically requested by Contracted Agency (in writing);
- c. Will not change the project goals or scope of services;
- d. Are in the best interests of COUNTY and Contracted Agency in performing the scope of services under this Contract; and
- e. Do not alter the amount of compensation under this Contract.
- f. Time of Performance extension request must be submitted prior to the ending date of the agreement.

## **Budget and Time Modifications (Combination)**

When a Budget Modification and a Time Extension are required, as defined above, both requests for modifying the Contract can be submitted on the same letter, providing that all of the criteria are met for each type of request. All provisions outlined above remain in effect.

# **CHAPTER 7**

## **MONITORING**

# **MONITORING**

## **Introduction**

The County of San Bernardino Department of Economic and Community Development (ECD) utilizes several methods to monitor agency service performance and contract compliance. These include on-site review, evaluation of "audit ready" reimbursement requests, income statements, and insurance review. The evaluation of reimbursement requests has been addressed in Chapter 5: Reimbursements.

## **On-Site Monitoring**

As the Community Development Block Grant recipient, the County is responsible for monitoring subrecipient performance. This includes a full review of the subrecipient's administrative methods, program implementation and compliance with CDBG regulations. These reviews focus on the extent to which the planned program has been implemented and measurable goals achieved, the effectiveness of program management and the impact of the program. This level of monitoring is conducted by County staff at the subrecipient agency. The number of visits necessary to complete the monitoring process is determined by the timing of the CDBG funded program and by the nature and complexity of the program.

Generally, agencies can expect to be monitored at least once per year. This usually takes place during the months of October, November and December. ECD staff will come to your site with a checklist (see Appendix G) to review your organization. The site visit will include an interview with the Executive Director and/or program administrator, review of the financial management system, the filing and record keeping systems, client documentation, and a tour of the facility. ECD staff will be particularly interested in reviewing the Beneficiary Qualification Statements on file and, depending upon the nature of the service provided, may choose to interview clientele served by your agency. As provided in the standard contract (section 19), authorized representatives of County and HUD have the right to access all activities and facilities operated by your agency under your subrecipient contract. Facilities include all files, records, and other documents related to the performance of services specified in the contract.

As a part of the monitoring visit, ECD staff will observe the facility's accessibility for persons with disabilities and advise the subrecipient agency about compliance with the Americans Disability Act (ADA) requirements. ECD staff will focus on general accessibility issues listed below. However it is the responsibility of the subrecipient agency to provide an accessible facility and program. This may include contacting a specialist. Appendix O contains the ADA guide for small business. The last page of that guide include contact information for ADA specialists:

- Evaluation of the facility program accessibility to the disabled individuals

- Path of Travel - accessible route from the nearest bus stop, parking lot, public streets and sidewalks to the facility entry door
- Evaluation of parking stalls for handicapped parking
- A ramp to allow an accessible entrance for disabled individuals up to the facility entry door
- Space requirements of wheelchair passage for entry doorways
- Wheelchair turning space within the facility
- Wheelchair accessibility into public restrooms with in the facility

A monitoring visit is not a financial audit and you will not be required to produce all financial records for review at that time. On-site monitoring is conducted to ensure contractual compliance, highlight areas of concern, and to provide assistance as needed. If problem areas are identified, ECD staff will be available to provide technical assistance to improve your agency's performance. Depending upon the nature of the problem, the level of monitoring and the number of site visits required from ECD, may be increased.

## **Program Income Statements**

Program income is the net income directly generated from the use of CDBG funds by your agency. Program income is calculated by adding the CDBG funding to any gross income from sales of CDBG funded equipment and any fees collected for CDBG funded services. This sum is then subtracted from total expenditures. When such income is generated by an activity only partially assisted with CDBG funds, the CDBG program income is calculated using only those sources of revenue and only those expenditures that pertain to providing the CDBG funded activity.

The County form used to report CDBG program income is referred to as the Income Statement (Appendix H). Each year the County sends an Income Statement form to each CDBG funded agency. This form calls for information about your agency's revenue and expenditures under contract during the fiscal year. Calculations on the form determine the amount of program income generated by the use of CDBG funds. Please see the Income Statement in Appendix H for a sample calculation of program income.

### **Program income must be returned to the County within thirty (30) days after:**

- 1) Disposition or sale of real or personal property; or,
- 2) Cumulative program income reaches one thousand dollars (\$1,000) or more; or,
- 3) At the end of each fiscal year



Your organization can retain the use of any such program income by requesting a contract budget increase for CDBG eligible activities. Program income retained by your organization must be spent only on cost items previously authorized in your contract with the county. You must account for the receipt and use of program income in such a way that it is clearly shown that program income is spent prior to the expenditure of any additional CDBG funds. Any program income remaining after the County CDBG contract expires, must be returned to the County.

As part of entering a CDBG contract with the County, your agency will be required to file a written statement listing all revenue received or expected to be received, from all governmental entities (including other county departments), or private agencies that will be applied to or offset, any of your operating costs. This statement is generally included as part of the budget analysis that is submitted for contract preparation. Any time you receive funding from any agency, in addition to that listed in your previous statement, your agency must notify ECD in writing. The sources and amounts of income reported on the Income Statement, should be consistent with any other funding information reported to the County.

## **Insurance Review**

The County Department of Risk Management is authorized to recommend changes in insurance requirements provided that any such changes are reasonable in light of past claims against the County, inflation, or any other item reasonably related to County risk. The insurance requirements are outlined in the subrecipient contract. As explained in Chapter 4: Insurance Requirements, a subrecipient's insurance coverage is subject to periodic review by the County.

Any reduction or waiver for the entire term of your contract and any change requiring additional types of insurance coverage or higher coverage limits, can be made only by amendment to your contract. Your agency, through accepting the contractual terms with the County, agrees to execute any such amendment within thirty (30) days.

Your organization must furnish certificates of insurance to ECD as evidence of the insurance coverage prior to providing the services outlined in the contract, and prior to expenditure of CDBG funds. These certificates should indicate that the insurance will not be terminated or expire without thirty (30) days written notice to the County. Each subrecipient agency must also complete and submit the Insurance Inventory (see Appendix B) prior to contracting with the County. Should there be any changes to your insurance coverage during the term of the contract, new certificates must be submitted to the County immediately.